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# China Report

ECONOMIC AFFAIRS

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28 March 1986

## CHINA REPORT

### ECONOMIC AFFAIRS

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PROVINCIAL AFFAIRS

PRESENT, FUTURE STATUS OF SHANXI'S ECONOMY ANALYZED

Taiyuan JINGJI WENTI [PROBLEMS IN ECONOMICS] in Chinese No 8, 25 Aug 85 pp 33-38

[Article by Kang Changli [1660 2490 7812] of the Institute of Economics of the Shanxi Academy of Social Sciences: "On the Present and Future Status of Shanxi's Economic Structure"]

[Text] The overall structure of Shanxi's economy belongs to the rich natural resources type. This is in complete accordance with the view that Shanxi's economic structure is of the heavy industry type, because the province's industrial, distribution, exchange, and consumption structures are all built on a solid foundation of rich natural resources. This overall, systematic study is based upon the entire process of social reproduction, that is, on the four links of production, distribution, exchange, and consumption in order to make a qualitative and quantitative inquiry into present and future tendencies of Shanxi's economic structure.

I. Production Structure

Production structure is the foundation of economic structure. The most outstanding characteristics of Shanxi's production are its many heavy industries, industries requiring the intensive application of labor and numerous primary products. It belongs basically to the mining products type of structure.

A. The Heavy Industrial Department Structure

The industrial department structure determines the nature of the production structure, which thereby determines the overall economic structure. The main characteristic of Shanxi's industrial department structure is the large proportion taken up by heavy industry, which is to its advantage. In 1982, the percentages for the output values of agriculture, light industry, and heavy industry were 32.3, 20.4, and 47.3 percent, respectively, that is, a ratio of 3:2:5. This greatly exceeded the average national ratio of 3:3:3.

Shanxi is one of the world's eight largest coalfields (with fields producing over 100 million tons annually). Its raw coal yield in 1982 was 21.8 percent of the national output. The basic characteristic of Shanxi's present industrial structure is its heavy-type structure which produces primarily raw materials needed to provide energy in manufacture. The industrial department

structure of the province will maintain this advantageous structure until the end of the century (see Table 1).

Table 1. Shanxi's Industrial Department Structure in the Year 2000  
(GVIAO = 100) Unit: percent

Agriculture	Light industry	Heavy industry
27.2	22.2	50.6

The above prediction was based on overall planning objectives for construction of industry bases in energy, heavy industry, and chemicals. The main trend is represented by the heavy-type structure in which energy products form the core of production.

However, much development must be done in coalification, renewable energy, and light industry. At the same time, priority must be given to the development of transportation and communications, particularly railroads and highways, because the real weak link in Shanxi's industrial departments is transportation which has already created a bottleneck in the province's coal industry that will have a deleterious effect on the pace of industrial modernization in Shanxi.

## 2. The Labor-Intensive Type of Technology Structure

The technology structure is an important indicator in the measurement of the degree of modernization of the production structure. The most marked characteristic of Shanxi's technology structure is the predominance of labor-intensive industry.

The status of the technology structure of the two basic industrial departments of industry and agriculture in Shanxi in 1982 showed the following characteristics (see Table 2):

Table 2. 1982 Shanxi Industrial and Agricultural Technology Structure  
(Whole number ratios)

Sector	Category	Labor-intensive type	Capital-intensive type	Technology (knowledge)-intensive type
Industry		14	11	1
Agriculture		11	3	1

Clearly, labor-intensive enterprises occupy a predominant position in industry and agriculture. There are, however, still great differences between the two regarding the other two categories. The ratio between labor- and capital-intensive types in industry is approximately 3:2, while for agriculture it is

3:1. This shows that the proportion occupied by capital-intensive enterprises in industry is much greater than in agriculture, and that there is a higher level of integral capital components in industrial departments compared to the agricultural. However, the ratio in industry between labor- and capital-intensive types versus the technology type is 25:1; in agriculture it is 14:1. Could this possibly mean that the level of technological modernization in industry is lower than that of agricultural departments? A more detailed analysis is required to answer this question.

Compared to the rest of the nation, the level of technological development in Shanxi's agriculture is not low. Several relevant indicators are close to or have surpassed those of the national average, are similar to Liaoning Province's, and are higher than Heilongjiang Province's (see Table 3):

Table 3. A Comparison of Major Technological Indicators in Agriculture in 1982

Category	Province	National average	Shanxi	Liaoning	Heilongjiang
Total power in agriculture mechanization (horsepower/mu)*		0.15	0.14	0.15	0.08
Tractor use in agriculture (large, medium and small) (horsepower/mu)		0.042	0.034	0.047	0.04
Motors (horsepower/mu)		0.027	0.03	0.04	0.004
Percentage of irrigated land area electrically irrigated		56.9	69.3	81.7	68.9
Amount of electricity used in agriculture (kwh/mu)		26.6	24.3	48.3	11.7

\*Mu refers to area of land under cultivation

Shanxi and Liaoning are both heavy industrial provinces, with industry, mining, and agriculture in outlying urban and mining areas occupying an important place. Therefore, there is also a great deal of protective agriculture, factory-type agriculture, and high-yield agriculture, and the level of technology and agricultural intensivity in these areas is higher than in most other areas. As a result, the proportion of technology- and capital-intensive enterprises is much higher than for the average agricultural area. Judging from this, the percentage of labor-intensive enterprises in Shanxi agriculture is not really greater than the comparable proportion for industry.

Shanxi's industry could be compared to Shanghai's. According to the relevant figures, the ratio between labor-, capital-, and technology-intensive enterprises in Shanghai's industry is 4:4:1, whereas the ratio in Shanghai between agriculture, light industry, and heavy industry is 5.7:53.1:14.1, basically placing the city in the processing and light industry structure type, which is clearly different from Shanxi. Shanghai's level of modernization in technology

is much higher than Shanxi's, and the predominance of its technology-intensive industrial enterprises is clearly much greater. In Shanxi's mining industry in which coal predominates, most enterprises, especially in rural and small town areas, basically use manual labor, with the exception of some centralized distribution coal mines and local coal mines.

What changes and new trends will the future bring? According to the analysis presented here concerning Shanxi's industrial department structure, the following tendencies may appear in the technology structure by the end of this century: the proportion held by technology- and capital-intensive industries will increase equally, while that held by labor-intensive industries will show a corresponding decrease (see Table 4):

Table 4. Trends and Changes in the Future Development of Shanxi's Technology Structure

Sector	Category	Labor-intensive type	Capital-intensive type	Unit: percent
				Technology (knowledge)-intensive type
Agriculture		15.5	10.1	5.2
Industry		25.6	35.3	8.3
Total		41.1	45.4	13.5

### 3. Organizational Scope Is Predominantly Medium and Small Enterprise

The organizational scope of production is the main indicator of the numerical level of intensity of the major factors of the productive forces. The most marked characteristic of this structure in Shanxi is the predominant place held by small enterprises, particularly in the industrial structure of coal and raw material products.

The situation in the organizational scope for production in Shanxi in 1982 is shown in Table 5:

Table 5: Shanxi's Organizational Scope for Production in 1982  
(Gross output value of each sector = 100)

Sector	Category	Large enterprises	Medium enterprises	Unit: percent
				Small enterprises
Agriculture		6.3	13.1	80.6
Industry		33.6	18.0	48.4
Construction		38.4	8.0	53.6
Communications, posts and telecommunications		49.0	22.0	29.0

Of the provinces and regions of China in which heavy industry predominates, the organizational scope structure of Shanxi exhibits its own special characteristics. The mix of its large, medium, and small industrial enterprises is generally similar to that of Shanghai, Liaoning, and Heilongjiang, however, the proportion held by Shanxi's large enterprises is the smallest, as is its output value and the proportion held by Shanxi's small enterprises is the largest, as is its output value.

The proportion held by small enterprises in Shanghai is the smallest, but its output value is similar to Shanxi's. This shows that the output value of small, fine-processing industries in Shanghai's back lanes and alleys is higher, while that of local, small mining and raw materials products industry in Shanxi is lower.

The present status of the organizational scope for agricultural enterprises in Shanxi is basically the same as for the rest of the nation. However, along with the development of commodity production, a new trend may appear in the organizational scope of agricultural enterprises--a tendency for small enterprises to develop into middle-sized ones.

Two different tendencies for change may occur simultaneously in the future organizational scope of industrial, construction, communications, and postal and telecommunications enterprises: developments involving both increases and decreases in scale. Judging from construction in Shanxi's energy, chemical, and heavy industries, large-scale, core enterprises must be built in order to ensure the achievement of the strategic goal of quadrupling the gross output value of raw coal. This is representative of the first of the two above tendencies. As regards urban and rural economic reform, we must continue to liberalize policies to encourage the individual economy and develop the collective economy. This is representative of the decentralization of the second tendency, from large to small; the decision whether to centralize or decentralize, to choose the large scale or the small scale depends, in the end, on the needs of the appropriate economic scope, and the productivity rate and amount of economic returns.

Based on the above analysis, enterprise organizational scope in Shanxi will show the following tendencies by the end of the century (see Table 6):

Table 6. Tendencies in Enterprise Organizational Scope in Shanxi by the Year 2000 (Gross output value of each sector = 100)

Sector	Category	Unit: percent		
		Large enterprises	Medium enterprises	Small enterprises
Agriculture		16	33	51
Industry		44	18	38
Construction		54	20	26
Communications, posts and telecommunications		49	30	21

#### 4. The Product Mix in Which the Manufacture of the Means of Production Is Dominant

The material product mix reflects the nature of the production structure and is an important indicator of the national economic type. A marked characteristic of Shanxi's industrial structure is the predominance of the manufacture of the means of production.

The 1982 product-utilization structure in Shanxi was as follows (see Table 7):

Table 7. 1982 Product Utilization Structure in Shanxi

Sector					Communi- cations, posts and telecom- munica- tions
Item	Total	Agricul- ture	Industry	Con- struc- tion	
Means of production					
Output value (100 million yuan)	146.7	19.8	99.2	15.4	12.3
Percentage of sector's gross output value	62.0	31.1	76.0	56.0	82.8
Percentage of gross output value of means of production	100	13.5	67.6	10.5	8.4
Means of subsistence					
Output value (100 million yuan)	89.8	43.8	31.4	12.1	2.5
Percentage of sector's gross output value	38.0	68.9	24.0	44.1	17.2
Percentage of gross output value of means of subsistence	100	48.8	35.0	13.5	2.8

The production of the means of production in Shanxi industry is predominant, but its proportion of similar products nationwide is not very large. Of the output values for 60 major industrial products listed in the 1983 "Almanac of Chinese Statistics," only 21 of Shanxi's products amounted to more than 2 percent of the national figure for similar products; of those only 14 belonged to the category of the means of production, and with the exception of raw coal (21.8 percent) and locomotives (48.6 percent), the remaining 12 products were below 6 percent. Compared to Shanghai, Liaoning, and Heilongjiang, Shanxi's product mix is clearly of the unitary raw materials type (see Table 8):



Table 8. Comparison of Production of 60 Major Industrial Products in 4 Provinces and Cities in 1982 (National production = 100)

Province or city	Production of the means of production		Production of the means of subsistence	
	Numbers of products occupying more than 10 to 20 percent	Over 20 percent	Numbers of products occupying more than 10 to 20 percent	Over 20 percent
Shanxi		2		
Shanghai	10	1	10	3
Liaoning	8	6	4	2
Heilongjiang		5	2	

Note: Based on information from the 1983 "Chinese Statistical Abstract"

Clearly, Shanxi and Heilongjiang are quite similar. They both belong to the energy raw materials structure type, dominated by a few single, rather than many strong-selling products, such as raw coal or petroleum, and do not possess any other new hot-selling products that can win over domestic or international markets.

Shanxi's product circulation structure also exhibits this same unitary emphasis on raw materials (see Table 9):

Table 9. Shanxi's 1982 Imports and Exports (to and from the province)

Item			Communications, posts and telecommunications
Sector	Agriculture	Industry	
Imports			
Value (100 million yuan)	13.1	42.9	1.3
Percentage of sector's output value	20.5	93.9	2.9
Percentage of gross import value	22.9	74.9	2.3
Exports			
Value (100 million yuan)	8.0	47.9	2.9
Percentage of sector's output value	12.5	36.7	19.4
Percentage of gross export value	13.6	81.5	4.9

The volume of circulation of Shanxi's agricultural byproducts outside the province is extremely small. It imports primarily basic means of subsistence,

such as grain, cotton, and oil, and exports small amounts of local specialty products, such as herbal medicines. The amount of imports is greater than the amount of exports, while in industry and communications, posts and telecommunications, exports are greater than imports. The province exports primarily such raw materials as raw coal, iron, and minerals involving high energy consumption, while importing primarily such finely processed industrial products as automobiles, electronic goods, scientific instruments, and articles for daily use. Much of Shanxi's industrial exports are primary products, while a large proportion of its industrial imports consists of finished industrial goods.

Tendencies in Shanxi's product mix will be as follows (see Tables 10 and 11):

Table 10: Forecast for Shanxi's Product Mix in the Year 2000 (1)

Item	Sector	Agriculture	Industry	Total
Means of production				
Output value (100 million yuan)		76.4	305.9	382.3
Percentage of sector's gross output value		39.2	58.6	53.3
Percentage of gross output value for both departments		20.0	80.0	100
Means of subsistence				
Output value (100 million yuan)		118.6	216.1	334.7
Percentage of sector's gross output value		60.8	41.4	46.7
Percentage of gross output value for both departments		35.4	64.6	100

Table 11. Forecast for Shanxi's Product Mix in the Year 2000 (2)

Item	Sector	Agriculture	Industry
Exports			
Output value (100 million yuan)		55.4	
Percentage of sector's output value		28.4	
Imports			
Output value (100 million yuan)		50.7	
Percentage of sector's output value		26	
Primary products			
Output value (100 million yuan)			34.3
Percentage of sector's output value			65.7
Finished products			
Output value (100 million yuan)			179
Percentage of sector's output value			34.3

The above projections show that although future trends for change cannot lead to a change in the basic type of Shanxi's product mix within a short period of time, new groups of hot-selling products will eventually come into being under the stimulation of the world technological revolution, and a shift will occur toward the manufacture of finished industrial goods for export and products requiring primarily intellectual labor (including high-value agricultural byproducts).

## 5. The Ownership Structure of the State-Run Enterprise System

The ownership structure of the means of production reflects the position and function of various economic forms in social production. State-run ownership systems occupy a predominant place in Shanxi's share of the national economy.

The ownership structure in Shanxi in 1982 was as follows (see Table 12):

Table 12. Shanxi's 1982 Ownership Structure for the Means of Production in 1982 (Each sector = 100)

Category	Item	State		Collective		Individual	
		Output value (100 million yuan)	Percent-age	Output value (100 million yuan)	Percent-age	Output value (100 million yuan)	Percent-age
Total		136.9	57.4	81.3	34.1	20.2	8.5
Agriculture		0.8	1.2	47.8	75.1	15.1	23.7
Industry		108	81.2	25.1	18.8	0.06	0.04
Construction		17.5	67	4.6	18	4.0	15.0
Communications, posts and telecommunications		10.6	71.1	3.8	25.8	0.46	3.1

Notes: 1. Cooperative economy included within the collective  
2. Independent economy of commune members included in the individual economy

The collective and cooperative economies dominate agriculture, while the state-run economy dominates in the construction industry and in communications, which is true for the country as a whole. However, the proportion of the state-run economy in Shanxi's industry exceeds the average national level for both enterprise number and output value, while the proportion held by the collective economy is lower than the national average. This reflects the slow development of the urban collective economy, especially the collective and individual economic elements in industry; therefore the proportion tends to be low (see Table 13):

Table 13. Industrial Ownership Structure in 1982

Region	Item	State		Collective	
		Number of enterprises (percent)	Output value (percent)	Number of enterprises (percent)	Output value (percent)
National average		22.2	77.8	77.7	21.3
Shanxi		26.0	61.2	73.9	18.8

The proportion held by the individual economy in urban and rural Shanxi is tiny, only 0.04 percent of industry in 1982. If independent priority households and specialized households in agriculture are excluded, what can genuinely be called individual economy is insignificantly small. Practice has shown that the multilevel system of ownership featuring the state-run economy, collective, and individual economies is a relatively good structure to promote a flourishing urban and rural economy and the construction of socialism.

By the end of this century, changes in Shanxi's ownership structure may be as follows (see Table 14):

Table 14. Ownership Structure of Shanxi's Means of Production by the Year 2000 (Gross output value of each sector = 100)

Sector	Item	Unit: percent		
		State	Collective*	Individual
Agriculture		0.8	74.9	19.8
Industry		63.4	30.3	6.3
Construction		60.0	25.0	15.0
Communications, posts and telecommunications		70.0	23.0	7.0

\*Includes agricultural cooperative economy

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ECONOMIC DEVELOPMENT ZONES

RENMIN RIBAO ON DEVELOPMENT TRENDS IN ZHU JIANG DELTA

HK241007 Beijing RENMIN RIBAO in Chinese 17 Feb 86 p 1

[Report by Li Kefu [2621 0344 1133]: "Zhu Jiang Delta Shows Trends of Vigorous Economic Development"--passage within slantlines published in boldface]

[Text] The rural areas of the Zhu Jiang Delta, with a per capita income of some 700 yuan, have not only become more prosperous economically but profound changes have also taken place in the ideas, culture, and ethical concepts of the vast numbers of peasants. The changes that are taking place or will take place here demonstrate 10 major trends of vigorous development in the rural areas of this economically developed region.

/1. The Zhu Jiang delta has bid farewell to its closed economy, has switched from an economy stressing "agriculture, industry, and commerce" to one stressing "trade, industry, and agriculture," and has gradually set up an outward-oriented and open rural economic structure./ The farming and breeding industries have developed in the direction of producing "high-grade, precision, advanced, rare, high-quality, and sideline" products, and efforts are being made to produce all kinds of farm, sideline, local, and special products that can enter the international market or yield better economic results. The town and township industries which used to sell their products on the domestic market have also gradually increased the proportion of export products. The rural commerce and service trades are developing toward highly efficient and beneficial industries providing high-quality services and promoting exchange at home and abroad.

/2. The constant flow and recombination of rural labor force, resources, capital, and technology with the objective of attaining better socioeconomic results will gradually develop into a new pattern of mass agriculture with a coordinated development of primary, secondary, and tertiary industries./ A large number of laborers are constantly shifting from agriculture to industry, commerce, transport, building, services, and other industries, so that the output value ratio between primary industry and the secondary and tertiary industries has changed from 3:7 to 7:3. This transformation has not only broken the previous traditional agricultural structure centering on farming, but will also change what is generally called the mass agricultural structure which includes agriculture, forestry, animal husbandry, sideline occupations, and fishery.

/3. Agriculture is developing toward intensification and diversification, becoming large-scale, and advancing toward high input, high output value, and high benefit./ Farmland, forestry centers, and fish ponds have gradually been concentrated in the hands of experts, who are developing into a contingent of specialized peasants proficient in technical skills and good at business operations and intensive production. In developing secondary and tertiary industries, these peasant households help one another, promoting industry with agriculture and expanding industry for the development of agriculture. The distribution of farm crops is arranged according to market and foreign trade demands. A new situation, whereby farming is integrated with the processing industry and coordinated with tourism has emerged.

/4. Everyone, from peasants to leaders, is gradually learning how to rely on information and scientific decisions to carry out planned market regulation under macroeconomic guidance./ The information institutions set up one after another in the Zhu Jiang Delta have developed into a network. The peasants are willing to receive guidance and their interest in information has expanded from microeconomy to macroeconomy and from domestic to foreign markets. Correspondingly, transport and post and telecommunications undertakings have developed rapidly, bringing about an "intense popular interest in running transportation" and a "mass fervor in installing telephones."

/5. The peasants have started fostering a new concept of getting rich through science and they diligently work, study, and think, relying on science and technology to enhance their competitive ability and to preserve their staying power./ They are increasingly eager to import and popularize new strains, technology, and equipment from abroad and other parts of the country. Some peasants spare no expense to employ scientific and technical personnel or to run various technical training classes. While attaching importance to practical science and technology, some districts and townships also pay attention to the application and popularization of achievements in basic sciences, such as systems engineering, genetic engineering, and bioengineering, by cooperating with universities, colleges, and scientific research units.

/6. The peasants attach simultaneous importance to investment in intellectual resources and in production and consumption and their enthusiasm for running schools by fundraising is growing. The development of intellectual resources in the rural areas will become a gigantic project that will change backwardness once and for all./ Quite a few peasants have begun to shed the narrow ideas of "wanting to make money but not to run schools" and an upsurge of running schools by fundraising is in the making. Some districts and townships have spent a lot of money providing for promising youths who take more advanced courses of study in institutions of higher learning. Many young peasants also study computer technology and foreign languages at their own expense.

/7. The consumption structure has changed from stressing food, clothing, shelter, and household articles to stressing shelter, household articles, clothing, and food, and the proportion of recreation has increased day by day; consumption demand is gradually developing toward high nutrition, comfort, and up-to-date style./ In recent years, 60-70 percent of peasant households have built new houses, many of which are multistoried new buildings of reinforced

concrete. The peasants no longer consider a meal with fish and pork a rarity and they are gradually making a practice of "drinking some beer before a meal and eating some fruit after it." Some rural youths are more fashionably dressed than urban youths. Paying attention to hygiene has become an indication of an improved standard of living.

/8. Cultural life, which was dull and dry in the past, tends to be richer and more varied; ordinary peasant households have started to enjoy a loftier spiritual life characterized by musical instruments, chess games, books, and paintings./ The interests and hobbies of the peasants have become wider. They not only want to see good movies and watch excellent television programs and theatrical performances, but also voluntarily organize themselves to learn playing the violin and guitar, painting, calligraphy, and photograph. Vulgar sentimentalism has gradually lost ground.

/9. Lofty habits of new ideas, ethics, and concepts are in the making; public order is more stable; people are united and help one another; and there are cordial relationships among the people./ Although some negative phenomena, such as putting profit-making first and being blinded by lust for gain, have emerged in the course of developing the commodity economy, quite a few well-off peasants cherish more tender feelings for the party and show greater concern for the collective. A growing number of peasants want to join the party. The number of people who help others to become prosperous after they have prospered is increasing.

/10. The distinctions between town and country, industry and agriculture, and physical and mental labor have gradually been narrowed. The cities have a weaker appeal for the peasants in terms of employment opportunities and living conditions. On the contrary, urban manpower and financial and material resources will be increasingly attracted to the rural areas./ The fundamental reasons for this change are as follows: First, the rural economy has rapidly developed and the peasants' living standards have markedly improved; and second, the number of small cities and towns in the rural areas is constantly increasing and they are larger in scale. These small cities and towns have concentrated the merits of urban and rural areas and have gradually developed into regional economic, political, cultural, scientific, technological, and service centers linking up urban and rural areas.

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CSO: 4006/801

## ECONOMIC DEVELOPMENT ZONES

### PROPOSED MEASURES TO MAKE FUZHOU FUJIAN'S SILICON VALLEY

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 5, 5 May 85 pp 29-31, 39

[Article by Lin Qiping [2651 0366 1456]: "Fujian To Establish Its Own 'Silicon Valley'"]

[Text] The success of Silicon Valley has led to the spread of the silicon valley pattern of development and its imitation all over the world, the emergence of a veritable "silicon valley craze." This new technological revolutionary trend, with electronics as its core, truly deserves our conscientious study.

#### I

We in Fujian Province must establish our own silicon valley.

1. Establishing a silicon valley will enable us to skip the traditional developmental stages and move to the forefront of China. In nationwide perspective, Fujian is a rather backward province, both industrially and agriculturally. If we want to "move to the forefront of the country" within a short period of time, we have to skip the traditional developmental stages; the only reliable method these days to do so is to employ new advanced technologies in technologically transforming the traditional industries and trades, and, for that purpose, to concentrate on one industry as the pioneering sector and breakthrough point, the development of which would then provide the impetus for technological transformations in all other industries. This industry can only be the electronics industry. The U.S. magazine SCIENTIFIC AMERICAN is entirely justified in calling the electronics industry "the wheel of the 20th century" and "the bridgehead of the new industrial revolution." In its application, electronics is a general technology of the widest scope. All such areas as the rapid development of equipment for the automation of production processes, improvements in management and control in industry, commerce, finance, and in government organs, innovations in medical, pharmaceutical and scientific instruments, as well as modernization of information, broadcasting, and television networks, all rely on electronics. Its development will spur on the rapid development of all other industries and will be an important factor that could possibly allow us to skip the traditional developmental stages and move on to the forefront in China. Development of electronics is particularly suited to the special



characteristics of Fujian Province, which, although rich in natural resources, lacks the raw materials needed for the steel industry and lacks such sources of energy as coal, electric power, and petroleum, while the electronics industry, on the other hand, requires little energy and few materials. The development of the electronics industry requires a region with pioneering quality, which will constitute a core from which influence will radiate in all directions, spurring on developments in other regions. This, then, is what we want to develop as our own silicon valley in Fujian Province.

2. Establishment of a silicon valley will enable Fujian Province to play a special role in opening up China to the outside world. In Fujian Province, the electronics industry had its start in the late 1950's. It has developed rapidly and achieved a new breakthrough particularly since the initiation of the open door policy. As to the value of its production, in 1981 Fujian placed 16th among the nation's electronics industries, jumped to 8th place in 1983, and doubled the value of its production in 1984 compared to 1983, occupying 6th place in the country, electronics ranking third among Fujian's major industries. There are now over 500 types of products, which fairly cover the whole area. We therefore find in Fujian Province a certain foundation for the production and technology of an electronics industry. If we develop our own silicon valley in Fujian Province, it is bound to promote rapid further development of the electronics industry and other newly arising technologies in Fujian, and may quite possibly raise our electronics industry to an even more prominent position in China, so that it will become an important window and base of national significance for the importation and development of new technologies, centering on electronics, effectively play a special role as a provincial share in the opening up to the outside world, and greatly contribute to China's four modernization projects.

3. Establishing a silicon valley has been the strategic measure employed by Third World countries and territories in their efforts to move into the world arena with the development of their economies. The development of the electronics industry in the world, although mainly concentrated in such developed countries as the United States and Japan, is now an area where developing countries are doing all they can to catch up. Those that started early in this race were China's province of Taiwan, South Korea, Singapore, and Brazil. They all proceeded, one after the other, by establishing their own silicon valleys according to the pattern of the original Silicon Valley. In 1979 the Singapore government set out to establish a science and technology park at Kentegang, near Singapore University, as an entity that would facilitate the importation of new technologies. Taiwan also began, toward the end of 1980, to establish a science and technology park at Xinzhu for the importation of most advanced foreign technologies and to develop new technology-intensive industries. Up to now over 60 percent of the more than 30 enterprises approved for investment in the park were electronics and information processing enterprises. If the province of Fujian, an advance outpost of this Third World country of China, wants to attain worldwide significance in its efforts to open up to the outside world, it must also provide a base for an electronics industry and for high technology production, which means that it must also establish its own silicon valley.

## II

Where should Fujian's silicon valley be located? In my opinion, it should be established at Fuzhou, a place with many favorable conditions for rapid development.

1. Fuzhou has a definite foundation as an electronics industry base. Currently, there are 108 enterprises of the electronics industry system throughout the province, of which about one-third are concentrated in Fuzhou. The electronics industry employs 22,157 staff and workers, and the Fuzhou Electronics Industry Bureau alone employs 6,716 of them, which is also about one-third. According to 1982 statistics, the output value of Fuzhou's electronics industry accounts for 43.13 percent of that of the whole province, placing it first in Fujian. Fuzhou's electronics industry is of decisive economic importance for the province and for the entire industrial system of Fuzhou itself. In 1985 its output value will place it among the top three industries of the municipality. In 1986 the profits that it will turn over to the treasury will be equal to the total amount turned over in 1983 by all municipality-run industrial enterprises. By 1990 its output value will be equal to the total output value of all municipality-run industries in 1983, reaching 1.2 billion yuan, which will be more than twice the total output value of 470 million yuan achieved by the entire province's electronics industries in 1983.

2. Fuzhou has a very strong scientific and technological work force. The electronics industry is "an industry based on scientific research," a "knowledge-intensive industry," or "technology-intensive industry." Its development is closely bound up with the foundation available in scientific research conditions and in scientific and technological strength. The province has five research institutes specializing in electronics, one each in the field of electronics, optics, computers, semiconductors, and communications, and one electronic products control and inspection office, all located in Fuzhou. The Fuzhou Electronics Industry Bureau employs 500 of the 1,866 engineering and technological personnel, and if the provincial electronics enterprises located in Fuzhou were included, the figure would be more than half. Fuzhou also has universities and colleges, such as Fuzhou University, Fuzhou Normal University, etc., which have specialized instructional and research establishments for electronics, optics, semiconductors, computers, and other high technology, and which have indeed already achieved outstanding successes in their scientific research, such as the HCP system developed by Fuzhou University, which is a first in advanced software tool manufacture in China. Fuzhou has also 36 scientific research organs, 450 high-ranking specialized research fellows, and 18,800 specialists in the natural sciences--altogether a large science and technology force, constituting a definite capacity for scientific and technological development and for the comprehensive handling of key projects, well capable of rapidly applying scientific and technological research results and absorbing and digesting advanced science and technology imports from abroad, and also capable of pursuing inventions and innovations.

3. Fuzhou has several excellent key electronic enterprises, some of them renowned at home and abroad, such as the Furi Company, which is the first

Chinese-Japanese joint venture enterprise in Fujian. In quality its television sets equal any similar type manufactured by Hitachi, and the sets have indeed been able to penetrate domestic and foreign markets. The productivity of the entire work force ranks at the top in this line of industry throughout all of China. The Fuzhou Computer Factory is the largest factory in the whole province; it is manufacturing microcomputers and calculators. The calculators are a staple product of Fujian's electronics industry, accounting for one-quarter of the total national production, and considered the best in the country. There is also the Fuzhou Radio Factory which manufactures the "191-model digital multimeters," a production that fills a gap in China's production of testing equipment. These excellent key enterprises will promote developments in a large number of cooperating factories and component plants, and will exercise leadership in the development of Fuzhou's electronics industry and other high-technology industries.

4. Fuzhou has a transport and communications network that extends in all directions. Good access to information is an important condition for the development of electronics and high technology industries. Fuzhou has well-developed communications and an even more advanced telecommunications system. The city has imported from Japan a complete set of equipment for a computerized time-division exchange system for a 10,000-channel city telephone system and for a 500-channel long-distance telephone system, enabling automatic direct dialing to places within China and abroad, and establishing long-distance telephone connections with various large cities in 41 countries, thus facilitating quick transmission of information.

All the above-mentioned favorable conditions provide Fuzhou with a sound initial basis for the development of electronics and high technology industries and make Fuzhou a favorable place for the establishment of a silicon valley. However, in order to achieve the development of an electronics and high tech industry of domestic and foreign significance, which will also be capable of spurring on the electronic industry of the entire province, and which will also turn Fuzhou into a pioneering district that will stimulate an upswing in all other industries throughout the province, it will of course be necessary to employ many further measures.

### III

The following measures should be adopted to establish a silicon valley at Fuzhou:

1. It is necessary to determine a developmental plan for an intermediary period. In view of the characteristics of the Fuzhou electronics industry--its many small factories and large number of component factories--it is necessary, when determining the plan for the intermediary period, on the one hand, to base oneself on the presently available technology imports and technical transformations so far effected in the electronic enterprises, and to proceed in three stages. First stage: stress on the assembly of components, importation of advanced production lines for components, thereby laying a solid foundation. Second stage: emphasis on the readjustment of all machinery, importation of key equipment, key parts and random parts, the

production of complete electronic equipment of an advanced nature. Third stage: emphasis on prime items, best hot-selling goods, such as color TVs, electric refrigerators, video recorders for industry, microcomputers, etc., to bring about vigorous development and an economic upswing. On the other hand it is also necessary to pay serious attention to the opening up of new territory, to be conceived as: (1) Preparations for the establishment of an electronics industry university, mainly for the purpose of training postgraduate students and for the pursuit of scientific research. (2) Establishing a research institute for the development of software, to assume the tasks of scientific research development, development of industry, technological and economic research, technological projecting for all the various trades and industries, research in computer applications, and the gradual building up of a software force, turning the Fuzhou region into a software development center.

2. Pursuing a three-pronged course, accumulating capital through a variety of channels. The electronics industry requires large investments; hence it is called an "investment-intensive industry." Operation of a large-scale factory requires the expenditure of hundreds of millions of yuan. Following World War II, the major capitalist countries, especially the United States, Japan, Great Britain, and the FRG, invested at a high rate--about 3 to 5 percent of their GNP--in their electronics industries. For the last 10-odd years, the rate at which investments in the U.S. electronics industry increased exceeded the rate of increase in investments of the entire industrial sector. Turning Fuzhou into the silicon valley of Fujian Province within a short period of time requires large capital funds. However, raising large investment funds within the province and within the city would currently be very difficult; such funds must be sought through a variety of channels and should be pursued in a three-pronged way: On the one hand, capital may be absorbed from sources inside and outside the province, including capital of the state, of the collectives, and from individuals. On the other hand, joint operations with foreign enterprises should be initiated. Among all cases of importations by the Fuzhou Electronics Industry Administration during 1984, 11 cases were joint venture operations. We have by now accumulated a certain amount of experience in this respect. In the future we shall pay attention not only to the digestion, absorption, and conversion to domestic production of the imported items, but also to importing certain items that are of high technological level, that are difficult to manufacture, and that are highly sophisticated. And in yet another respect, when foreign enterprises invest their own funds to operate electronics industries in Fuzhou, the key target for our efforts to obtain such investment funds should be enterprises set up overseas by Chinese scientists of some achievement and most of the famous United States and Japanese high tech companies.

3. Importance must be attached to the transfer of technologies. An important experience gained from the success of Silicon Valley is the implementation of a policy of effecting technology transfers by a close linkage between universities and enterprises. In this manner the technology is transferred from the classrooms of the universities and from research offices to the various enterprises, in a kind of fast conveyor belt of knowledge for transports from institutions of higher learning and scientific research organs to the industrial enterprises, so that the technology can be speedily and

effectively used in actual production. In our efforts to establish Fuzhou as the silicon valley of Fujian Province we must fully assert the role of the universities and relevant research organs in Fuzhou City. For this purpose: (1) The Fuzhou University, being an industrial university with a very strong technical curriculum, must strengthen its research in latest technologies and must, furthermore, speedily transfer any achievements of its research to the enterprises. (2) Universities or research organs with suitably favorable conditions may, in an accurate assessment of the market situation and staying within the means presently available to them, start up by themselves enterprises appropriate to the needs of the times and develop electronic products required in the international market. (3) Universities or research organs may set up joint ventures with enterprises, having the enterprises invest capital and the university invest the intelligence of its personnel for an effective integration of capital and intelligence.

4. Importance must be attached to intelligence work and access to information. An enterprise that lacks advanced technology is of course in jeopardy, but more dangerous still is an ineffective state of its intelligence gathering and of its access to information. Our efforts to establish Fuzhou as the silicon valley of Fujian Province makes it absolutely necessary to pay strict attention to intelligence gathering and access to information. It is necessary to: (1) Establish a modern intelligence and information center, gather and study the production and marketing conditions of the electronics industries in the domestic and foreign markets, and their technological data, research achievements, etc. (2) Developmental strategy and import activities of the electronics industry must be based upon intelligence and information, to prevent irrational operations. (3) Based on market information and on scientific and technological information, efforts must be directed toward the improvement and updating of electronic products; we must strengthen the manufacture of new products in complete sets, change the composition of our products, and develop components and adjust machinery to form complete sets.

5. We must go all out in the successful utilization of intelligence, because Fuzhou's electronics industry now consists to a large proportion only in the assembly of imported parts, has a weak foundation, poor flexibility to meet changes in the situation, and is, furthermore, still rather backward in its production technology. Under these conditions, speedy development can only be achieved by going all to successfully utilize intelligence. This may be conceived as the need to proceed in the following directions: (1) To bring in, in a planned manner, highly qualified foreign technical personnel, placing special emphasis on bringing in Chinese of real ability and learning and scientists of Chinese descent. (2) To bring in from outside of Fujian Province a number of technical talents of the electronics industry and to import most advanced technologies. (3) To send a number of technical personnel, known to be highly devoted to their work, for advanced training to countries with highly developed electronics industries, such as the United States, Japan, and the FRG. (4) To strengthen supplementary general education and technical training of staff and workers, especially of young workers; organize staff and worker's participation in studies at electronics universities, vocational universities, and correspondence universities; organize advanced studies and training of technical personnel; raise the

overall technological quality of all staff and workers and of the scientific and technological work force.

6. Effectively implement a division of labor between the different factories. The electronics industry faces the fiercest competition in the international markets. Since we intend to establish Fuzhou as the silicon valley of Fujian Province, its electronic products must be targeted for the international markets; our opponents in the competition are, therefore, the advanced electronics industries of the various countries of the world. That makes it necessary to institute a division of labor within the province, and especially within our region; there must be no mutual competition for goods that are easy to sell. In the original Silicon Valley many different companies vie with one another to achieve one identical objective, while only one will in the end come out victorious. The others will only have paid a huge price and be left to bemoan their fate. This is a mortal defect that capitalism cannot overcome. Ours is a socialist state; we can effect macroeconomic regulation, allot each factory its share of work, and concentrate our strength on efforts to give a good account of ourselves in international markets.

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ECONOMIC DEVELOPMENT ZONES

ECONOMIST ON USING FOREIGN FUNDS, INVESTMENT

HK070906 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 3 Mar 86

[Excerpt] At a forum on investment held by the China Accounting Association and the Hong Kong Society of Accountants on 28 February, famous economist Jing Shuping said that foreign investors must not only open up China's domestic market, but must also help China open up the international market. He said that while promoting China's import trade and import of technology, it is necessary for China to upgrade its ability to earn more foreign exchange through exportation. Only thus can Chinese and foreign economic cooperation be full of vitality for a long time.

Both Chinese and foreign specialists and scholars were very interested in his speech. About 10 people immediately handed messages to the chairman of the forum asking Jing Shuping to further expound his views.

After the forum, we interviewed Mr Jing Shuping. This 68-year-old veteran specialist joined in commercial and industrial circles before liberation and worked with such famous people in economic circles as Rong Yiren and Wang Guangying. He is now a member of the CPPCC Committee, special adviser to the Ministry of Foreign Trade and Economic Relations, and managing director of the China International Trust and Investment Company. Some 33 Chinese-foreign joint ventures were set up by the China International Trust and Investment Company under him in 1984 and 1985. He said that the success of his company lies in developing relations between China and the international market while opening up China's domestic market.

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ECONOMIC DEVELOPMENT ZONES

HAINAN: HONG KONG ENTREPRENEUR TO CONDUCT SURVEY ON TOURISM

HK070921 Haikou Hainan Island Service in Mandarin 0400 GMT 5 Mar 86

[Text] At the invitation of the Guangdong People's Government, a six-member group of Hong Kong personages, including Henry Fok, arrived at Haikou from Hong Kong by plane at noon yesterday. The group is to conduct a survey on tourism in the region.

At the airport, Henry Fok and his party were greeted by Yang Li, vice governor of Guangdong Province; Wang Yuefeng, responsible person of Hainan Administrative District; (Zhu Yiming), deputy secretary general of the provincial government; (Gong Enguang), director of the provincial travel bureau; and so on.

Henry Fok is a well-known entrepreneur. After paying a visit to the island during the spring festival, Premier Zhao Ziyang met Henry Fok in Guangzhou on 15 February. He introduced to Henry Fok the island's tourist resources, as well as his plans for developing the island's tourism. He hoped that Henry Fok would become much concerned regarding the development of tourism on the island.

On 27 February, when meeting Henry Fok in Guangzhou, Governor Ye Xuanping and Vice Governor Yang Li solicited opinions from him on the development of tourism on the island. They also welcomed him to visit the island when it was convenient for him. Henry Fok showed great interest in the matter.

His current visit to the island will cover Haikou, Tongza, Sanya, Lingshui, and (Jinrong). The purpose of the visit is to survey the island's tourist resources, development plans, and the construction of hotels and tourist spots.

Yesterday afternoon, accompanied by Yang LI, Wang Yuefeng, and other comrades, Henry Fok and his party visited (Giongyan) Hotel, (Nantian) Hotel, Hainan Overseas Chinese Hotel, (Taihua) Hotel, and (Wugongchi) in Haikou. Meng Qingping, principal responsible person of Hainan People's Government, met Henry Fok and his party. He introduced to them the island's development and construction situation over the past year.

Last night, Comrade Meng Qingping held a banquet to receive them.

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## ECONOMIC DEVELOPMENT ZONES

### XIAMEN READY FOR FULL-SCALE PRODUCTION

OW100346 Beijing XINHUA in English 0239 GMT 10 Mar 86

[Text] Xiamen, March 10 (XINHUA)--Xiamen Special Economic Zone is ready to go into full-scale production after five years of construction, city Vice Mayor Jiang Ping said last week.

He told a meeting here of Fujian Province mayors that 500 million yuan had been spent on infrastructure projects over the past five years.

A comprehensive transport system to serve Xiamen's foreign trade was now in place with the completion of an international airport and the Dongdu ferry.

The zone was now set to enter a new development period in which it would concentrate on full-scale production and efficiency.

Jiang said first-phase construction was nearing completion on Huli industrial section, which housed some of Xiamen's 103 Sino-foreign joint ventures and cooperatives and wholly foreign-owned enterprises. It also included apartment buildings, hotels, department stores and entertainment facilities.

An imported dial-direct telephone system connected Xiamen with 24 Chinese cities, and Hong Kong, Japan and the United States.

A number of international banks had set up branches or joint ventures with the Chinese banks here.

Jiang said that by the end of last year, Xiamen had attracted 650 million U.S. dollars worth of overseas investment, and had imported new technology and 1,800 items of equipment to modernize its industries.

Last year's gross industrial output value was 129 percent more than in 1980, gross agricultural output value was 34.3 percent higher and city's net income from agriculture, industry, the building trade, transport and telecommunications, and commerce increased by 124 percent.

Urban workers' average wages increased by 86 percent and farmers' income by 157 percent. Urban and rural bank savings quadrupled and 46,000 more jobs were created.

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## ECONOMIC DEVELOPMENT ZONES

### LIAONING ECONOMIC ZONE ENTERS NEW STAGE

OW110916 Beijing XINHUA in English 0702 GMT 11 Mar 86

[Text] Shenyang, March 11 (XINHUA)--Work has started on 13 factories in the economic and technical development zone in Dalian city, Liaoning Province, just as the infrastructure construction is completed.

Ten factories, producing textiles, light industry and household electrical appliances, are expected to go into operation this year.

The development zone is 33 km from the downtown area and covers 20 sq km. The first construction phase involves a three sq km industrial park and accompanying facilities.

Since October 1984, more than 195.8 million yuan have been spent on infrastructure construction, of which the water supply and drainage systems, power transmission lines and transformer substations have been completed.

In addition, 10,000 sq meters of workshops have been built with another 10,000 sq meters under construction.

By the end of last year, 16 cooperation agreements with other parts of the country and 15 Sino-foreign joint venture contracts had been signed.

Peng Xiangsong, Liaoning vice governor, said the zone will concentrate on factories which require intensive techniques and produce products mainly for export.

The construction of the zone enjoys priority in fund allocation and supply of materials. Last year, the state provided 150 million yuan of loans in addition to loans of 20 million yuan from bank offices in the province.

Dalian, one of the 14 coastal cities open to overseas investors, has expanded its airport and is planning flights to Hong Kong, Europe and America.

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CSO: 4020/249

28 March 1986

## ECONOMIC DEVELOPMENT ZONES

## BRIEFS

NINGBO CITY'S EXPORTS INCREASE--Hangzhou, March 12 (XINHUA)--More than 100,000 peasant households in Ningbo, one of the 14 coastal cities open to foreign investment, now specialize in producing or processing export goods, local officials said today. Altogether, 145 products are produced for export to over 100 countries and Hong Kong. Last year, overseas sales of such goods amounted to 54 million U.S. dollars, the officials said. The current policy encourages peasants to make use of local resources to produce goods for export. In Ningbo, Zhejiang Province, more than 3,000 factories are doing additional processing of local farm and sideline produce for export. Peasants in coastal villages in the 9,397 sq km area are helped produce sea food for export, while people in hilly areas are encouraged to increase export of tea and bamboo-woven articles. Peasants on the plain areas, however, concentrate on producing high-quality food grain, lean meat and cooking oil for foreign markets. Ningbo authorities signed 17 contracts of cooperation and compensation trade with overseas companies last year, and introduced from abroad better varieties of rice, fruit, vegetables, poultry and technical equipment. [Text] [Beijing XINHUA in English 1442 GMT 12 Mar 86 OW] /6662

SHANGHAI EXPORT FAIR--Shanghai, March 11 (XINHUA)--The Shanghai export fair which ended this week was a great success, a city official said here today. Volume of business at the 10-day fair was expected to be 20 percent higher than the 130 million U.S. dollars achieved at a similar fair last year. Zhuang Yulin, deputy director of Shanghai's foreign economic relations and trade committee, said: "It is good news for Shanghai exports, which have remained static over the past four years." In the first two months of this year, Shanghai exported 490 million U.S. dollars worth of goods--11.8 percent more than in the same period last year. Zhuang said the improvement was due to the city's export drive, better cooperation between industrial and foreign trade departments and growing demand on the international market. About 2,500 foreign business chiefs took part in the trade fair. [Text] [Beijing XINHUA in English 1121 GMT 11 Mar 86 OW] /6662

SHANGHAI FOREIGN TRADE CONFERENCE--The Shanghai 1986 Foreign Trade Consultation conference formally opened at Jinjiang Hotel yesterday morning. Vice Mayor Li Zhaoji cut the ribbon at the opening ceremony. More than 1,000 people attended the opening ceremony, including responsible persons of the Shanghai municipal departments concerned and the Shanghai office of the representative of the Ministry of Foreign Economic Relations and Trade, officials of foreign embassies in China and consultates general in Shanghai, representatives of foreign firms, and foreign businessmen. The conference gave a reception in the evening to honor the guests from over 70 nations and regions. [Excerpts] [Shanghai WEN HUI BAO in Chinese 2 Mar 86 p 1 OW] /6662

ECONOMIC PLANNING

JIANXI'S NI XIANCE ON ECONOMIC COOPERATION

OW041051 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 2 Mar 86

[Excerpts] Ni Xiance, deputy secretary of the provincial CPC Committee and governor, announced yesterday afternoon, at the provincial work conference on economic and technological cooperation, that the provincial government has decided to regard the introduction of foreign investment and development of inter-regional and inter-departmental economic cooperation as major tasks in the province's economic work this year.

Ni Xiance pointed out in his speech: Practice in recent years shows that developing lateral economic relations and carrying out economic and technological cooperation are an important measure and form in implementing the economic policy of opening to the outside world and enlivening the domestic economy. They are an important part of the reform of the economic structure, as well as a major way to rejuvenate Jiangxi's economy and achieve the four modernizations.

Ni Xiance said: Our province is economically backward and short of capital. We cannot rely exclusively on the state for help. Developing lateral economic ties and attracting domestic and foreign capital are effective and important measures for solving our problem. If we carry out this work, we shall have the capital, materials, and personnel we need. Leadership at all levels must get a clear understanding of the situation and take advantage of the circumstances to establish the strategic importance of introducing investment from abroad and developing lateral economic ties in our province's economic work; speed up the pace of opening our economy to their provinces and foreign countries; vigorously promote lateral economic ties; utilize domestic and foreign capital and technology in different ways, at different levels, and through varied channels to turn our province's superior resources into economic superiority; and store up strength for achieving the strategic objective of quadrupling the provincial industrial and agricultural output by the end of the century.

After Comrade Ni Xiance's speech, the 5-day provincial work conference on economic and technological cooperation was declared closed. Jiang Zhuping, member of the Standing Committee of the provincial CPC Committee and vice governor, attended the meeting.

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## ECONOMIC PLANNING

### SHAANXI OFFICIALS REPORT ON PLANNING, BUDGET

HK090315 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpt] The fourth session of the Sixth Provincial People's Congress held its second full gathering on 8 March. (Cheng Xingwen), director of the Provincial Planning Commission, gave a report on the execution of the province's national economic and social development plan for 1985 and on views for planning arrangements in 1986. (Ge Tao), director of the provincial finance department, gave a report on the final accounts for 1985 and the draft budget for 1986. Executive Chairman Zhou Yaguang presided. The gathering was attended by 607 deputies.

(Cheng Xingwen) said in his report: Having fulfilled the Sixth 5-Year Plan in 1984, Shaanxi also overfulfilled the plan for 1985. The national economy developed in sustained big strides, and new achievements were scored. Total social output value reached 33.21 billion yuan, a rise of 15.4 percent over 1984. This included 25.54 billion yuan in total industrial and agricultural output value, an increase of 16 percent. Gross national product was 16.87 billion yuan, an increase of 11.9 percent. The great majority of other planning markets were fulfilled ahead of schedule. The situation is very good.

(Cheng Xingwen) said: In 1986, we must seriously implement the following important policy decisions of the central authorities:

1. Attach full importance to agriculture, the main foundation of national economic development, and continue to assign it an important strategic position.
2. Further step up construction of key projects in energy, communications, telecommunications, and the raw materials industries.
3. Strive to increase output of the consumer goods industries, especially of products that are in high demand, to meet the needs of improving the people's living standards, increase market supplies, and maintain basic price stability.
4. Assign a strategic position to training [word indistinct] people and developing science and technology, and bring about further development in education and scientific research.

5. Further expand external economic and technical exchanges, and vigorously increase exports so as to make more foreign exchange.

6. Further improve urban and rural living standards.

(Cheng Xingwen) also proposed four measures for persevering in structural reform and improving macroeconomic controls: Continue to promote structural reform in a careful and steady way; resolutely control investment in fixed assets; control the excessive growth of consumption funds; and further improve material supply work.

(Ge Tao's) report was in three parts: 1) the final accounts for 1985; 2) the draft budget for 1986; 3) strive to fulfill the 1986 budget tasks.

(Ge Tao) said: The province's total financial revenue in 1985 was 2,983,500,000 yuan. This is the first time in the 1980's that the province has self-reliantly achieved balanced revenue and expenditure with a slight surplus. For 1986, the central authorities have assigned the province a financial revenue task of 2,341,140,000 yuan. This year we should go further in correcting the guiding ideas on financial work, actively support the development of production, construction, and all undertakings, strengthen tax collection work and financial work in enterprises, and strive to fulfill and overfulfill the revenue tasks. We must oppose extravagance and waste and strengthen and improve macroeconomic controls. The focal point in financial work must be tangibly shifted to improving economic results.

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CSO: 4006/804

ECONOMIC PLANNING

SHAANXI GOVERNOR DISCUSSES 7TH 5-YEAR PLAN TASKS

HK100245 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 9 Mar 86

[Excerpts] In his report to the fourth session of the Sixth Provincial People's Congress, Shaanxi Governor Li Qingwei spoke on 10 aspects of the Seventh 5-Year Plan. The main aspects were as follows:

1. Persevere in putting reform in the first place. We must focus on further invigorating the enterprises, especially the large and medium enterprises and those enterprises that make foreign exchange through exports. We must consolidate the fruits of the reforms of prices and wages. We must promote joint operations and stimulate reforms by breaking down boundaries between trades, departments, areas, and ownership systems, and thus boost lateral ties between enterprises and the rationalization of the organizational structure and product mix of the enterprises. We must carry out reforms in depth, bring into full play the role of key cities, and improve macroeconomic controls.

2. We must persistently regard as our regional development strategic principle the vigorous improvement of the Guanzhong area and active support for the development of northern and southern Shaanxi, including the Weibei plain.

In developing the economy of northern Shaanxi, we must focus on exploiting the black treasure underground and on building up the green treasure on the surface. We must turn the natural resource strong points of coal and oil into economic strong points as soon as possible. At the same time, we must turn the natural resources strong points of coal and oil into economic strong points as soon as possible. At the same time, we must plant grass and trees on a large scale, and develop animal husbandry and the forestry and animal processing industry.

In developing the economy of southern Shaanxi, we must focus on exploitation and construction in the non-ferrous metal treasures and the indigenous mountain products. We must take advantage of the strong points of ample non-ferrous metal and building material resources and abundant electric power, and arrange in a planned way a number of metallurgical, building materials, and high energy-consuming industries in the area.

We should take full advantage of the biological resources to develop the food-stuff, medicinal herbs, and forest indigenous products processing industries.

3. Under the premise of striving to improve economic results, we must strive for a still better growth rate.

4. Under the premise of promoting steady growth in grain production, we must go further in readjusting the rural production structure in light of local conditions. We must uphold the principle of actively developing diversification without any slackening of grain production. We should speed up the development of forestry, animal husbandry, and township enterprises.

5. Apply advanced technology and speed up the technological progress of the existing enterprises. During the Seventh 5-Year Plan, the province must focus on doing a good job in technological transformation in 140 large and medium enterprises and in 1,000 enterprises subordinate to prefectures and cities. We must also speed up the work of switching the defense industry to producing civilian goods.

6. Do a good job in capital construction by concentrating forces to ensure the key projects. The province has 77 large and medium capital construction projects listed in the state plan during the Seventh 5-Year Plan. They include the Ankang hydroelectric station, with installed capacity of 800,000 kilowatts; the Wucheng thermal power plant, with installed capacity of 660,000 kilowatts; the Shaanxi aluminum plant producing 100,000 tons of electrolyzed aluminum a year; the Shaanxi museum, with advanced installations; and the Shaanxi radio and television center.

During the Seventh 5-Year Plan, in railroad construction we must focus on completing the Shenmu-Baotou line, open the (Podi-Qingjiachuan) section of the (Jiyan) line, and continue to build the (Podi)-Yanan section of this line. We must also complete the electrification and improvement of the Baoji-Mengyuan section of the Longhai line.

In road construction, we must focus on completing construction of the grade-1 highway from Xian to Sanyuan and the motorway from Xian to Lintong, and improve the road from Yulin to Fugu.

We must ensure the completion of the grade-1 airport at Xianyang by 1988. We must dredge and tidy up the Huang He and the Han Jinag waterways, and develop waterway traffic on the Huang He from Fugu to Yumenkou.

We should speed up the construction of digital telephone systems in Xian and other cities and construct the Xian international telecommunications service center. We must transform the backward state of Shaanxi's posts and telecommunications as soon as possible.

7. Persistently open up to the world and actively promote external economic and technological cooperation and exchanges.

8. Vigorously develop tourism, and turn the province into an international tourist center characterized by cultural and historical relics.



9. Pay attention to exploiting brain-power and vigorously develop education and science and technology. During the Seventh 5-Year Plan, the province must complete the task of introducing universal primary education. On the basis of consolidating and improving primary education, counties and districts containing about 20 percent of the province's population should introduce 9-year compulsory education.

10. Continually improve the material and cultural living standards of the masses. Beginning this year, the province will allocate 14 million yuan each year for reducing or waiving agricultural tax for poor households. This will be kept unchanged for 3 years. The province will also allocate 4.5 million yuan to old revolutionary bases in southern Shaanxi for developing production. We must strive to basically solve the food and clothing problem of the masses in poor areas within 3 years.

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CSO: 4006/804

## ECONOMIC PLANNING

### GANSU ECONOMIC PLANNING MEETING SETS 1986 TARGETS

HK080433 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 28 Feb 86

[Text] According to the provincial economic planning work meeting, which is currently being held, the main targets of the province's economic work in 1986 are to: promote reform and improve economic results so as to raise the gross industrial and agricultural output value to the level of 17.3 billion yuan representing an increase of 8 to 10 percent over that of 1985; and strive for a simultaneous growth in the output value and financial revenue.

This year, 1986, the first of the Seventh 5-Year Plan. Doing well in this year's work is an important step in consolidating and developing the achievements of the Sixth 5-Year Plan period and in being successful [word indistinct] Seventh 5-Year Plan.

Our guiding ideology for this year's economic work is to uphold reforms, transformation, opening up, and development and to grasp implementation firmly, improve macroscopic control, and promote a steady and coordinated development. Practical work should be as follows: Continue to invigorate the economy and improve the macroscopic control; promote an in-depth development of rural reforms and a steady and coordinated development of the rural economy; make rational plans and give correct guidances; continue to go all out to develop town and township enterprises and the collective economy in urban areas; drawing lessons from others, extricate the poor areas from their poverty-stricken state; invigorate large and medium-sized enterprises, further strengthening their vitality of self-development; and keep circulation channels clear, invigorate markets, strengthen economic links with overseas and other parts of China, and expand our extensive economic links.

Focusing on economic construction, we should strengthen all our work in respect to culture, education, science, technology, politics, and laws. In respect of such work, we should grasp reforms, economic results, shortcomings, grassroots, and the building of spiritual civilization, so as to guarantee success in this year's work.

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CSO: 4006/804

## ECONOMIC PLANNING

### QINGHAI LEADER SPEAKS ON ECONOMIC PLANNING

HK090233 Xining Qinghai Provincial Service in Mandarin 2330 GMT 8 Mar 86

["Summary" of Explanation of Proposal on Drawing up Qinghai's Seventh 5-Year Plan, delivered by Song Ruixiang, Deputy Secretary of the Provincial CPC Committee and Governor, at the Fifth Enlarged Plenary Session of the Sixth Qinghai Provincial CPC Committee]

[Excerpts] In the past 5 years, Qinghai has seriously implemented the principle of readjustment and reform, worked in concert, made arduous efforts, and scored encouraging success in all fields. During the Sixth 5-Year Plan, total social output value rose by 8 percent each year, while industrial and agricultural output value rose by 6.3 percent each year, and national income rose by 8.1 percent each year. There was a marked improvement in urban and rural living standards.

Song Ruixiang said that the province has three main tasks during the Seventh 5-Year Plan: 1) Create an excellent economic and social environment for reform of the economic structure to enable the reforms to proceed smoothly, and basically lay the foundation for a new economic structure. 2) Maintain sustained and steady economic growth, greatly strengthen the foundation--agriculture and animal husbandry--do a good job in key construction and the technological transformation of existing enterprises, and go all-out to improve economic results. The necessary reserve capacity in material foundation should be prepared for economic and social development in the 1990's. 3) Get a good grasp of science and technology, culture, and education, promote the building of socialist spiritual civilization, and continue to improve living standards on the basis of production growth.

By 1990, the province's total annual industrial and agricultural output value should reach 4.7 billion yuan, a rise of 1.7 billion yuan compared with the Sixth 5-Year Plan. Grain output should reach 2.3 to 2.4 billion jin.

Song Ruixiang said: The strategic idea for the province's economic development during the Seventh 5-Year Plan is to reform, open up, eliminate poverty, enrich the people, exploit resources, and be ready for the switch. In accordance with this strategic idea, we should adhere to six basic guiding principles in our economic work: 1) Persistently put reform in the first place and correctly handle the relationship between reform and construction. 2) Decide on a rational proportion between accumulation and consumption, and use construction capital in a concentrated way. 3) Correctly handle the relationship between growth rate

and economic results, and shift economic construction onto the track of improving economic results. 4) Uphold the principle of integrating internal factors with external assistance in expanding reproduction, and the principle of integrating key state construction with local economic development. 5) Regard eliminating poverty and enriching the people as the goal in developing the economy of the rural and pastoral areas. 6) Establish the idea of making arduous efforts over a long period.

On readjusting the production structure, Song Ruixiang said that the principle for this work during the Seventh 5-Year Plan is to highlight the key points, strengthen the foundation, take advantage of strong points, and improve economic results. Specifically, there are five points: 1) Strengthen the foundation position of agriculture and animal husbandry and step up infrastructural construction in communications, energy and telecommunications. 2) Speed up the development of the woolen textile, fuel, chemical, and non-ferrous metal industries. 3) Set up export commodity bases producing industrial goods and agricultural, animal, and indigenous products, and develop tourism and the export of labor. 4) Speed up the development of industries producing daily necessities. 5) Speed up the development of education and science and technology, exploit brain-power, and train talented people.

Song Ruixiang said: To accomplish the Seventh 5-Year Plan, we must accurately identify three points of breakthrough that are of major significance for invigorating the economy of the whole province, and grasp them ceaselessly. These breakthrough points are: Develop the lateral ties between Qinghai and other provinces and municipalities and between the different areas and enterprises within the province; develop township enterprises and urban collective enterprises; and get a vigorous grasp of the technological transformation of existing enterprises and improve their management.

On reforming the economic structure, Song Ruixiang said: The structural reform during the Seventh 5-Year Plan will basically be divided into three parts:

1. Do a good job in macroeconomic control. During 1985, we must consolidate, digest, replenish, and improve the reform measures of 1985, basically stabilize prices, and do a good job in supplying the markets.
2. Centered on developing socialist planned commodity markets, gradually reduce the scope of mandatory planning. We must do a good job in reforming the price setup of production materials and the price control system, further perfect the tax and profit system, and reform the financial structure.
3. Gradually establish a [word indistinct] structure suited to the new economic structure, and further harmonize the subordinate relationships of the enterprises.

We must persistently grasp the two civilizations simultaneously. We must in particular summon up resolve to rectify the party style, strictly enforce party discipline, vigorously curb unhealthy trends, and eliminate all ugly phenomena that ruin the social mood.

Comrade Song Ruixiang said in conclusion: The party members and people of all nationalities throughout the province must be full of confidence in victory, unite still more closely, and work in concert to promote reform of the economic structure and economic construction during the Seventh 5-Year Plan, so as to speed up the four modernizations and invigorate Qinghai.

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CSO: 4006/804

## ECONOMIC PLANNING

### NEI MONGGOL MAKES ECONOMIC WORK ARRANGEMENTS FOR 1986

SK100721 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 9 Mar 86

[Excerpts] After a 7-day session, the regional conference on economic work concluded in Hohhot City on the afternoon of 7 March. The conference set forth the major work of 1986, which is as follows: 1) Efforts should be made to consolidate and digest the results scored in reforms and to popularize and perfect various measures for conducting reforms in order to enliven the economy in the region; 2) by regarding as the central task work of increasing economic results, efforts should be made to earnestly organize well production plans and commodity circulation; 3) a good job should be done in making technical progress; 4) by regarding as a major task the work of upgrading product quality and saving energy resources, a good job should be done in managing enterprises; and 5) efforts should be made to enhance ideological and political work among the staff members and workers of enterprises and the work of conducting education and holding training classes.

The conference urged various localities to take a realistic step in ensuring the implementation of the Seventh 5-Year Plan and to make a success in the crucial battle of showing 100 percent increase in the 1987 annual total industrial and agricultural output value over the 1978 figure.

Attending the conference were leading comrades of the regional party and government organs, including Qian Fenyong and Liu Zuohui who delivered a report at the conference.

The conference commended the advanced units and individuals emerging in economic work in 1985, including the 8 advanced city localities such as Hohhot, Baotou, and Chifeng, as well as leagues such as Xilin Gol, Jirem, Xingan, Hulun Buir, and Ulanqab; the 3 advanced units emerging in the national drive to consolidate enterprises, including the Baotou aluminum plant, the Wulashan fertilizer plant, and the (Tuoer) Forestry Administrative Bureau; the 60 advanced units emerging in the regional drive to consolidate enterprises; and the 8 advanced individuals emerging in their group of the national test of plant chiefs and managers.

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CSO: 4006/804

## FINANCE AND BANKING

### INVESTMENT BANK FINANCES INDUSTRIAL EXPANSION

OW061134 Beijing XINHUA in English 1127 GMT 6 Mar 86

[Text] Beijing, March 6 (XINHUA)--The China Investment Bank (CIB) has invested 240 million U.S. dollars of World Bank money in 207 industrial expansion schemes since 1982, it was announced today.

It has also sunk 480 million yuan of Chinese currency into the schemes, said a CIB official here.

The bank was formed four years ago to finance construction schemes for Chinese businesses, and to act as agents for foreign investors, mainly the World Bank. It is backed by four billion yuan capital.

CIB can make both foreign and Chinese currency loans, all of which must be used as investment in fixed assets.

Most loans go to finance medium and small industrial expansion schemes, but CIB also makes investment loans to joint ventures, or partners of the Chinese side in such ventures.

By the end of last year, more than 80 schemes backed by the World Bank and CIB had been completed. They had been backed by 47 million U.S. dollars and 90 million yuan of Chinese currency.

It is estimated that these finished projects will now generate a total profit of about 200 million yuan a year, and will lead to earnings or savings of 34 million U.S. dollars in foreign currency.

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CSO: 4020/247

## FINANCE AND BANKING

### HAINAN HOLDS FINANCIAL-TRADE WORK MEETING

HK060652 Haikou Hainan Island Service in Mandarin 0400 GMT 3 Mar 86

[Text] A 5-day meeting on financial and trade work for Han areas on Hainan Island ended in Haikou on 1 March. The meeting relayed the spirit of the meeting of directors of financial offices of cities and prefectures in Guangdong Province; earnestly studied the important instructions given by central leaders during their recent inspection of the island; summed up experiences from the region's financial work last year; analyzed the current situation in the region's financial and trade work; and studied and arranged the region's financial and trade work for this year.

The meeting maintained that despite the impact of the imported automobiles incident and natural disaster? Last year, the region fulfilled all financial and trade situation in the region is good. Reform of the financial and trade system is developing in depth. The managerial role of financial and trade-departments has been brought into full play; macroeconomic control has been strengthened; circulation channels have been expanded; and the market has become more brisk and active. All units have also strengthened the work of turning losses into profits and building the two civilizations, thus basically fulfilling the task of straightening out financial and trade enterprises. The quality of financial and trade personnel has also been upgraded somewhat.

The meeting held that quite a few problems and difficulties still exist in the region's financial and trade work. To create a new situation in the region's financial and trade work, we must continue to have a clear idea about our target; continue to properly reform the financial and trade system; further correct our thinking on our professional work; vigorously support industrial and agricultural production; bring into play the main role of state-run commerce and supply and marketing cooperatives; properly arrange market supply; correctly handle the relationship between controlling the macroeconomy and enlivening the microeconomy; further strengthen and improve macroeconomic control and management; firmly grasp the work of turning losses into profits; continuously upgrade the management level and economic efficiency of enterprises; strengthen political and ideological work; and persist in building the two civilizations simultaneously.

[Chen Yinghao], responsible person of the Hainan administrative regional people's government, made a summation report at the meeting. Meng Qingping, deputy secretary of the Hainan Regional CPC Committee and principal responsible person of the Hainan Administrative Regional People's Government, attended the meeting and delivered a speech.



## FINANCE AND BANKING

### BRIEFS

**GUIZHOU'S RECORD REVENUE**--Guizhou's financial revenue last year was 1.44 billion yuan, a rise of 20.3 percent over 1984 and a record. This was the result of vigorously developing production. Last year's industrial and commercial tax revenue amounted to 1.34 billion yuan, an increase of 353 million yuan over 1984. It was also the result of reforms such as replacing profit delivery with tax payment. In addition the major inspection on taxes and finances launched last year was a great success. The province's expenditure last year showed a rise of 11.31 percent over 1984. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 8 Mar 86 HK] /8918

**MEETING OF BRANCH BANK MANAGERS**--The meeting of the branch bank managers of the provincial People's Bank recently concluded. The meeting put forward four main tasks of the branch banks of the provincial People's Bank this year. These four tasks are: 1. Priority must be given to issuing the loans of the banks in all places to support the development of the energy, communications, transport, and raw material enterprises, to support the enterprises which produce and procure exported marketable daily-use consumer goods so as to earn foreign exchange; to support production which can enliven large and medium-sized enterprises; and to guarantee the procurement of agricultural and sideline products covered by the plans. 2. It is necessary to vigorously help departments concerned handle marketable materials kept long in stock. 3. It is essential to develop negotiable instruments and to improve the work of settling accounts, in order to speed up the circulation of capital. 4. It is imperative to vigorously develop the savings business to guarantee enlarged sources of credit funds. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 4 Mar 86 HK] /8918

**PER-CAPITA INCOME REGISTERED INCREASE**--In 1985 the people in the urban and rural areas of our province continued to increase their income and improve their living standards. According to a sample survey conducted by the provincial Statistical Department, in 1985 the net per-capita income in the rural areas was 385 yuan, an 11.6-percent increase over 1984. Allowing for price rises, the actual increase was 6.5 percent. The annual per-capita consumption spending was 297.6 yuan, an increase of 22.3 percent over 1984. Every 100 peasants possess 29 bicycles and 27 watches, and every 100 households possess 70 sewing machines, 17.5 televisions, 4 radio-recorders, and 3.9 washing machines. In the urban areas, the annual per-capita income for living expenses was 677.3 yuan, a 22.1-percent increase over 1984. Allowing for price rises,

the actual increase was 12.1 percent. The annual per-capita spending for living expenses was 615.9 yuan, an increase of 27.1 percent over 1984. In 1985 urban and rural savings deposits increased by a large margin. By the end of the year, the savings deposits of the people throughout the province reached 10.29 billion yuan, an increase of 28.8 percent over 1984. [Text] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 23 Feb 86 SK] /8918

ZHEJIANG BANKING MEETING--A meeting of presidents of agricultural banks in Zhejiang Province closed on 25 February. The meeting stressed that this year's rural monetary work should pay attention to tightening overall control over funds and promoting their rational use. The meeting also called for efforts to increase bank deposits so that banks could contribute to developing the rural economy in a better way. During the meeting, Shen Zulun, member of the Standing Committee of the provincial CPC Committee, and vice governor of Zhejiang, spoke to participants. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 25 Feb 86 OW] /8918

XINJIANG PER CAPITA INCOME--Urumqi, 22 Feb (XINHUA)--By vigorously developing agriculture and mining, Xinjiang's Bayingolin Mongol Autonomous Prefecture raised annual per capita income to 399 yuan in 1985, an increase of 108 yuan over 1984. The increase in per capital income was attributed to the rise in the prefecture's total agricultural output value in 1985, which topped the 1984 figure by 39.6 percent. [Summary] [Beijing XINHUA Domestic Service in Chinese 0104 GMT 22 Feb 86 OW] /8918

SHANGHAI TREASURY BONDS--Shanghai Municipality will continue to do its best to sell state treasury bonds this year. To encourage buyers to buy bonds, the municipality has decided to increase the annual interest rate from 5 percent in 1985 to 6 percent for unit buyer and from 9 percent in 1985 to 10 percent for individual buyer. [Summary] [Shanghai City Service in Mandarin 1100 GMT 21 Feb 86 OW] /8918

HUBEI DEVELOPS INSURANCE INDUSTRY--According to (Gong Feng), deputy general manager of Hubei Insurance Company, during the Sixth 5-Year Plan period, the province reached a new stage in the development of the insurance industry, which has become an indispensable part of the national economy and the people's livelihood. It now offers 59 types of insurance services to Chinese clients, and about 20 to overseas clients. The total amount of insured properties is 32.7 billion yuan, and 1.38 million people have their lives insured. During the Sixth 5-Year Plan period, the premiums received from Chinese clients showed an annual growth of 70.6 percent, higher than that of the state. Compared to 1979, the premiums received from overseas clients in 1985 was increased by 2.5 times. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 26 Feb 86 HK] /8918

URBAN DWELLERS' MONTHLY INCOME INCREASES--According to JINGJI XINXI DAobao [THE ECONOMIC INFORMATION JOURNAL], published on 3 March, a sample survey of 1,250 families in urban areas of the province shows that in 1985, the average per-capita monthly income of the urban dwellers for living expenses was 56.45 yuan, a 27.3-percent increase over the previous year. Considering the rise in the cost of living index, the real increase rate was 13.7 percent, the highest during the Sixth 5-Year Plan period. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 3 Mar 86 SK] /8918

FUJIAN OVERSEAS INSURANCE SERVICES--Fuzhou, March 4 (XINHUA)--Fujian Province has extended its insurance services to more than 120 countries and regions, according to provincial insurance company. A company official told XINHUA that the total amount of premium in 1985 reached 6.55 million U.S. dollars, an increase of 52 percent over that of the previous year. The official said that the company's insurance service covered more than 30 categories of risks, including political risks, for not only importers and exporters but also for Sino-foreign joint ventures, cooperative schemes and foreign enterprises. The official attributed the achievements in the keenly competed world insurance market to better services and trustworthiness. [Text] [Beijing XINHUA in English 1604 GMT 4 Mar 86 OW] /6662

GUANGXI SCHOOL INSURANCE POLICIES--Nanning, March 8 (XINHUA)--Accident and life insurance policies have been taken out by 820,000 school children in the Guangxi Zhuang Autonomous Region under a scheme which started in September. One in eight of the region's pupils have so far paid into the scheme run by the Guangxi branch of the People's Insurance Company of China, said a PICC official here. Under the scheme, primary school pupils pay 1.5 yuan a year and secondary students two yuan. Payments of 1,500 and 2,000 yuan respectively are paid out in cases of death, and medical fees are paid if a child is injured in an accident. The branch has already paid out in more than 1,000 accidents which happened in or outside school. Nationally, about two million students have taken out life insurance policies, according to PICC. [Text] [Beijing XINHUA in English 0235 GMT 8 Mar 86 OW] /6662

CSO: 4020/247

FOREIGN TRADE AND INVESTMENT

SHENZHEN HOSTS SYMPOSIUM ON INVESTMENT IN PRC

HK060830 Beijing ZHONGGUO XINWEN SHE in Chinese 1414 GMT 28 Feb 86

[Text] Guangzhou, 28 Feb (ZHONGGUO XINWEN SHE)--Direct investment in China by foreign investors is increasing each year. This is an encouraging trend. In the next 5 years, China will more extensively use foreign loans and absorb more direct investment by investors abroad than in the previous 5 years. Gan Ziyu, vice minister of the State Planning Commission, stated the above at a symposium on investment in China which opened in Guangzhou today.

Gan Ziyu said: The actual amount of foreign capital used by China in recent years is about \$16 billion, of which 65 percent is loans.

He continued: Direct investment in China by foreign investors is increasing each year, and this is an encouraging trend. The actual amount of foreign investment in 1983 was 40 percent greater than that in 1982. The amount was 50 percent greater than that in 1983, and the amount last year is estimated to be more than 30 percent greater than in 1984. By 1985, Chinese enterprises had signed more than 7,000 contracts, valued at about \$15 billion, with foreign investors, and investment contracts valued at more than \$5 billion have been executed. Of the more than 7,000 contracts, about 2,200 are for establishing joint ventures, more than 3,400 are for establishing cooperative enterprises, more than 100 are for the establishment of independent enterprises by foreign businessmen, 22 are for the exploitation of offshore oil resources, and more than 1,500 are for compensation trade.

Gan Ziyu said: In the future use of foreign capital, it is necessary to strengthen overall guidance and planning, to establish a system for the management of foreign loans and investment, and to perfect it. This not only will not affect the legal operations of foreign investors, but will make conditions even more favorable for them.

He stressed: China has always paid close attention to ensuring that its use of foreign loans is commensurate with its ability to pay debts in order to maintain the benign cycle of its national economy and to uphold its good reputation on the international financial market. This contributes much to bringing about a favorable environment for investment.

This symposium on investment in China is co-sponsored by China's Accounting Society and the Hong Kong Society of Accountants and is the first grand gathering of mainland and Hong Kong accountants.

Governor Ye Xuanping of Guangdong delivered a welcoming speech at today's opening ceremony.

More than 250 Chinese and foreign guests were present at the ceremony. The symposium is scheduled to close on 2 March.

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CSO: 4006/800

FOREIGN TRADE AND INVESTMENT

EXPORT PRODUCTION SYSTEM FORMATION SAID CRUCIAL

Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 pp 1,2

/Article by Li Chongwei /2621 1504 1218/: "Plan To Establish an Export Production System"/

/Text/ The establishment of an export production system is a crucial, strategic measure that will strengthen both exports and foreign exchange earning capabilities.

It is pointed out in the recommendations for the Seventh 5-Year Plan that "regarding the overall export production arrangement, coastal and other areas with the right conditions should be employed as export bases for particular commodities. The export production system must be gradually perfected."

Why is it such a crucial strategy to create an export production system that strengthens exports, foreign exchange earnings and economic results? In the past, China's industrial and agricultural production system was part of a self-contained economy that mainly stressed satisfying domestic needs. Demand often exceeded supply capabilities, resulting in sellers' markets and enterprises lacked the competitive pressure and motivation to look outward; they were happy with that situation. Add to this the fact that China's economic management did not differentiate between domestic and overseas product sales, treating both as essentially the same.

Thus enterprises that produced for export did not receive the necessary support. Looking at the entire system in the long run, equipment was outmoded, technology backward, productivity low, costs high, marketing disjointed, and products were becoming more and more ill suited to meet foreign demand. Though in recent years China's export volume of oil, grain, cotton, and textiles have grown, other industrial and agricultural products are fluctuating or stagnant as far as exports are concerned, to the extent that they are being gradually eliminated by international competition, causing a precipitous drop in export volume. Thus in order to increase foreign exchange earnings during the Seventh 5-Year Plan, it is necessary to develop products that are adapted to the demands of the international market as well as differentiate the management systems of production for export and domestic consumption. This will raise competitiveness on international markets. It is an important long-range strategy for developing China's foreign trade.

## In This New Era the Guiding Idea Is To Create an Export Production System

Beginning in the 1960's with the support of the foreign trade ministry, a group of export bases, special export plants and specialized workshops was set up. They have been a positive aspect in expanding exports and increasing foreign exchange earnings; however, many weaknesses survive because there still has not been continuous, consolidated expansion. At present, under the new circumstances in which domestic and foreign markets are opening up and the economy is being restructured, both industrial and agricultural production power are advancing. The old methods are not even remotely adequate. The Central Committee's call to establish an export production system is a new problem arising from new circumstances. On the one hand, we should learn from the experiences of the old export bases and specialized factories, yet, on the other hand, we must break away from the previous framework. Based on the need to continue the reforms, the strategy for developing both the domestic and export economy must be integrated to a high degree. By starting from a realistic assessment of China's condition and the special features of international trade, it should be realized that the guiding idea must be the establishment of an export production system.

First, it must be realized that international trade works on a product-by-product basis. The supplying of raw materials, manufacturing, shipping, sales and post-sales service all have their particular characteristics; the links in the production cycle are like a tightly connected chain. Thus, separate export production systems must be created based on the different general commodity categories (i.e., agricultural byproducts, light textile goods, minerals, machinery, and electronic products, etc) and the particular nature of each commodity. The structure cycle is coordinated and that the economic gains of the entire entity are accounted for; the system must not be dissected by departments or areas, each must be self-governing. Second, international trade is in the midst of a fiercely competitive, protectionist era. Each nation is pushing its best production resources on its highest quality, newest style, most reasonable priced best-serviced product and dumping it on the international market in hope of a business coup. Thus, export bases and special plants must stick to the principle of quality. Third, China is a socialist nation in which control lies with all the people. The goal of the economic reforms is to invigorate enterprises and to help them become relatively independent, self-managing socialist producers responsible for their own profits and losses. The goal is the same one export enterprises should strive for. They must go all out to develop new products, aggressively find new markets, be creative, continue improving management, raise economic benefits, and avoid relying on national resources. But because of fluctuations on the international market, and because changes are difficult to predict and protectionism has appeared, the hazards are great. It is difficult to deal with this situation solely on the strength of an individual enterprise. Thus it is imperative the nation pave the way by formulating a unified national plan that includes research and predictions concerning the international market. The expansion of export production must be planned and the division of labor must be coordinated.

## Principles for Organizing an Export Production System

1. Under nationally unified arrangements, the various industrial and agricultural production departments, the foreign trade department and the governments of important production regions should link up to research and promulgate long-term strategies and concrete short-term plans for the development of export production. This must include the development of product variety, quality, volume, foreign markets, and marketing systems as well as the distribution of production bases, the attraction of advanced technology and technical transformation. The formulation of policy measures, the amount of investment, and supply sources should also be included in the strategic planning. In the planning, attention should focus on utilizing special economic zones, open coastal cities and other areas with the right factors to attract foreign cooperation for joint ventures, joint management, and export representation. This should spur on the development of export production in the interior; in this regard, the development of traditional products and resources of the interior must also be considered. Finally, the geographic, transport, and resource factors of various provinces, cities, prefectures must be considered in the national division of labor.

2. To establish export bases and specialized plants, first we must select a number of superior-quality, low-cost, high-priced export-level items in demand on the international market and then arrange and organize their production in existing enterprises and export production regions. Furthermore, it is essential to proceed with technical transformation, improve scientific and technological research and experimentation, as well as raise the level of technology and management. The goal is a reduction in investment, visible effects, and satisfactory economic results. The production capabilities of existing enterprises and production regions is insufficient; thus joint investment between production and trade units is needed, as are foreign capital joint ventures to initiate a few new-style export production bases or specialized plants. Some agricultural and livestock commodity-processing bases can extend the experiences of various cities and counties in Shandong Province that were production bases for frozen fowl. Variety specifications for corn, cotton, and other commodities should be based on international demand and major production regions should make use of their preponderant resources, establish plant and seed varieties and find export outlets. All bases and specialized plants must organize experts and unbiased personages to democratically critique and determine what is and is not good quality. In the future, similar kinds of commodities should be subjected to economic laws and intensive management, and production should be suitably centralized, but not overly so. Overseas marketing trademarks for similar kinds of commodities should be reduced and refined. The advent of a brand name will aid in the concentration of strength. In general, those products unable to meet foreign market standards should be sold domestically.



3. Within the export production structure, agricultural byproduct bases and both large-scale mines and factories can be divided into three categories: The first is that which deals exclusively with exports and is uninvolved with domestic production. This class will not be too numerous. The second category are those enterprises which deal with both domestic and export production. They will gradually increase the proportion of production for export. The third category are those enterprises which mainly produce for the domestic market, but they will still have some export duties or if the right factors are created, they may be able to expand exports. The latter two categories will constitute the greater number of production units. Among the production units will be many that coordinate complete export production systems, from raw materials to spare parts. These rear service units and reserve forces with great potential cannot be in short supply while the country is expanding export production.

4. Export bases, special plants, and specialized workshops will be of various styles; some will be mainly for production, others mainly for trade, and some will merge both functions, but regardless of the style, all of them will integrate production and trade, implement democratic consultation, coordinate the division of labor and bring into play their own strong suits. For export production enterprises, there should be a different set of economic assessment indicators, a different pricing structure, a different tax-collection policy, a different method of foreign exchange retention and different incentives from those employed by domestic production enterprises. The economic benefits for enterprises and workers must be directly coupled with the creation of foreign exchange through exports. After tax profits, wages, bonuses and benefits must be a bit higher at export bases and specialized plants than for similar domestic production enterprises. Thus, production for export will result in both genuine political honors and substantial economic benefits.

5. Economic and trade departments should provide information concerning the international economy at the appropriate times to export bases, specialized plants, and export production enterprises. When international market demand changes and strict requirements are made regarding product variety, specifications, styles, quality, and packaging, economic and technical assistance must be given. Long-term sales agreements signed by both parties should clarify the duties, rights and benefits of both parties. For some agricultural byproducts, a guaranteed base price should be set down in the contract, as should the penalty if either side fails to live up to stipulations in the contract. This will guarantee the stability of export production and the supply source of goods.

The establishment of an export production system is a new idea that will merge the open door policy with the reforms of the economic structure. It will also promote closer ties between agriculture, industry, and trade, this propelling export production to a new level. Once this system is established, the vertical and horizontal connection between trade, industry, and agriculture can be greatly bolstered. This could help alleviate the

long-standing contradictions in the foreign trade structure--the disjointedness of marketing, the antagonism between trade and industry, the split between departments and areas, and the separation between coast and interior. By placing China's foreign trade structure under the scientifically based laws of international trade and by smoothing out all aspects of the relationship, export production can be expanded, the competitiveness of China's agricultural and industrial goods on the international market can be enhanced, and the ability to earn foreign exchange can be improved.

13030/12276  
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FOREIGN TRADE AND INVESTMENT

FOREIGNERS OFFERED NORTHWEST CHINA PACKAGE TOURS

OW010832 Beijing XINHUA in English 0651 GMT 1 Mar 86

[Text] Xining, March 1 (XINHUA)--Package tours will be offered to foreign tourists to northwest China beginning this year, according to tourist officials in this region.

By going through formalities only once, tourists will be able to travel along the silk road, ancient roads between the Tang dynasty and western region, the Qinghai-Tibet highway and the tomb of Qin Shi Huang. They will also be able to travel along the special route covering the Qinghai Lake, Qaidam basin, Salt Lake, water head of the Yellow and Yangtze rivers and the Dunhuang grottoes.

Northwest China covers Shaanxi, Qinghai and Gansu provinces, and the Ningxia Hui and Xinjiang Uygur Autonomous Regions.

An office was set up recently by the five provinces and autonomous regions to coordinate the tourist reception and transportation work in the region.

In 1985, the five provinces and autonomous regions in northwest China received 100,000 tourists, including 10,000 foreigners.

According to the coordination office, the five provinces and regions will also cooperate in opening up international tourist market, connecting their tourist routes with other places of China and training tourist guides.

/6662  
CSO: 4020/244

FOREIGN TRADE AND INVESTMENT

MACHINE-BUILDING INDUSTRY HEAD INTERVIEWED ON EXPORT STRATEGY

Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 p 1

/Interview with Machine-Building Industry Minister Zhou Jiannan /6650 1696 0589/ by Ma Meili /7456 3780 7787/ and Wang Yixia /3769 0181 1115/: "State Council Establishes Strategy to Expand Exports of Machinery, Electronic Products"; date and place of interview not given/

/Text/ In discussions of China's economic development strategy, much attention is paid to the problem of machinery and electronic product exports. Recently, reporters for this newspaper brought up this question in an interview with Minister Zhou Jiannan. Below is the text of the discussion:

/Question/ Among the recommendations of the Seventh 5-Year Plan is to raise the importance of machinery and electronic product exports. It has been said that the State Council has authorized relevant departments to do a study and then make a decision. Can you discuss the essence of this?

/Answer/ Yes. The crux of the open door policy is the increase of exports; the more we export, the more we gain. In the future, the scale of China's exports will be closely tied to whether or not exports of machinery and electronic products advance. In the present world, the industrially advanced and the industrializing nations all stress the expansion of machinery and electronic product exports as a strategy in achieving economic growth. When I say machinery and electronic products, I mean it in the general sense, including household machinery, bicycles, sewing machines, etc. Machinery and electronic products constitute one-third of all exports worldwide. But for a long period China has been well behind in the exportation of machinery and electronic products and the total value of these exports constituted only about 0.3 percent of the world's total. (In 1984 China's machinery and electronic product exports comprised 1.25 percent of the worldwide total.)

Why are machinery and electronic products not being exported? First, because the strategic importance of these exports is insufficiently recognized. Machinery and electronic product exports are of extreme importance in China's economic development strategy. China's machinery and electronic products industry must be invigorated in order to increase exports. The State Council has determined that the machinery and electronic

products industry is the single most important industry regarding exports. The development of this industry must be furthered if its products are to be competitive in the international market. Of course it must be realized that the basis lies in upgrading product quality, variety, and standards as well as recognizing that policy measures and the structure of management must be improved.

/Question/ What is the tentative plan to attain the goals set out for machinery and electronic product exports?

/Answer/ The first step is for the foundation to be laid in the Seventh Five-Year Plan, which will be followed by the Eighth 5-Year Plan; after that the rate of growth can increase quickly. During the Seventh 5-Year Plan exports will center on products less technically advanced; by the Eighth 5-Year Plan and beyond there will be an increase in the proportion of high-level, technically intensive products and complete facilities for export. Of course these two periods cannot be distinctly separated. For example, complete hydroelectric stations as well as textile and sugar refining plants are available for export now.

/Question/ What are the tasks involved in laying this foundation?

/Answer/ Establishing this foundation is an arduous task; if it is not done realistically, we will be unable to advance exports. Most important is to raise both the level of management and the level of technology in machinery and electronic products industries. Enterprises looking toward the international market to export products must accommodate themselves to international technological standards. Scientific research, technological development and enterprise management must all be strengthened. Enterprises must proceed with technical transformation, attract technology from abroad and set up various kinds of cooperative production and joint capital ventures in order to raise managerial and technological standards. It is of extreme importance to train a corps of bright, capable people to understand technology, trade, law, foreign languages as well as know how to quote prices, make bids, negotiate and establish contracts. By the 1990's there should be a corps of more than 10,000 well trained people.

Another important task is to set up overseas marketing, commercial information and maintenance and service networks. Without maintenance and service, people will be afraid to buy things.

/Question/ The concept of an export production system was mentioned in both the Seventh 5-Year Plan recommendations and in the Premier's elucidation. How does this apply to the machinery and electronic products industries?

/Answer/ Trade and production for export have undergone significant reform. In the past, many major plants did not consider exports their most important line of work: they relied on small plants to undertake guerrilla warfare and made purchases. The market was unplanned and thus fairly chaotic. Consequently exports were few.

The machinery and electronic products export production system is really three aspects of the export industry merged together. First, there are the export base enterprises. They must make an effort to secure high-quality goods from appropriate factories and also must bear the responsibility for obtaining foreign exchange. They should also have people familiar with foreign trade laws. Second, there are enterprises whose right to engage in foreign trade has been expanded. There are several key state enterprises that must undertake key construction projects for the state and need to increase exports. They should be granted broader trading authority typically through the export agent system. These enterprises should be able to establish specialized export branch plants and export workshops. Third, there are ordinary export enterprises. They should be encouraged to export machinery and electronic products that correspond with international demand. Some products, for instance, such standardized parts as welding rods or hand tools can still be procured by foreign trade enterprises for export. The first two kinds of export enterprises should be the main exporting force and their volume should comprise more than one-half the total. An enterprise's machine products operation should be divided between those mainly for export and those which are mainly for the domestic market. For example, there are numerous factories throughout China producing bicycles. It is not necessary for each factory to export a few bicycles; a few of the more famous factories should be selected to produce for export.

/Question/ Can you say something about the policy measures that are to encourage exports?

/Answer/ The present situation is as follows: Overseas sales are not as profitable as domestic sales. As processing becomes more complex, export costs rise. Clearly some present policies are not adapted to the needs of expanding exports, the report, the State Council has decided to enact feasible policies that actively support and encourage them. The overall requirements are: Exports must become more profitable than domestic sales and there must be encouragement to develop higher level processed goods and specialized, coordinated production. Rational, feasible measures are needed link up export production and trade.

/Question/ What kind of reforms have there been in the export management system?

/Answer/ The direction of the reforms are as follows: The professional duties of enterprises and the government are to be separated; production and trade will be integrated by mobilizing the energies of both production and trade enterprises mainly through implementing an agent system. They definitely must unite and be organized in dealing with foreign nations.

An agent system that is adapted to the special characteristics of machinery and electronic product exports must be promoted. Actually export and management duties will be carried out by production enterprises. In general, exporting enterprises will not set up a complete foreign trade structure, but will merely act as a foreign trade agent.

FOREIGN TRADE AND INVESTMENT

STEPS TOWARD INSTITUTING EXPORT AGENT SYSTEM

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3,  
May-Jun 85 pp 13-14, 20

[Article by Zhou Xian'gang [0719 2009 0474], China National Textiles Import-Export Corporation: "The Need To Integrate Industry with Trade, Technology with Trade, and To Gradually Institute an Export Agent System in the Garment Export Trade"]

[Text] Separation of government administration and enterprise management, instituting an agency system in foreign trade, integration of industry with trade, of technology with trade, and of imports with exports, all these are fundamental principles in the reform of our foreign trade system. In China's garment export trade system, we have taken a good stride forward during 1984 in instituting the integration of industry with trade and of technology with trade. Certain achievements in this respect have been recorded in Guangdong, Beijing, Hubei, Jiangsu, and Shanghai. However, with regard to the country as a whole, the pace has been too slow, and there has been basically no progress in the overall situation of instituting integration of industry with trade and of technology with trade. Action in this respect has not kept pace with the development of the economic reform throughout the country. To further implement the principles of the reform of our foreign trade system, all foreign trade enterprises exporting garments must accept it as their key task to implement integration of industry with trade, of technology with trade, and the gradual institution of an agency system for the export trade in garments.

Production is the basis, marketing is a key factor; production and marketing complement one another and help each other forward. A continuous development of our garment exports will depend upon an effective integration of industry with trade, of technology with trade, and of production with marketing, as the way to fully exploit the strengths of both industry and trade. We must further free ourselves from old ideas and remove all obstacles. Some of these obstacles come from outside, some from inside the foreign trade enterprises. In our foreign trade we must maintain a positive attitude and must, of our own accord, establish contacts with industry. The reform of our system of garment exports must focus on raising economic results. We must instill new vigor and vitality into our enterprises and push our garment export trade forward. Otherwise, our reform will fail. The integration of industry with trade, of technology with trade, and of production with marketing fully accords with these demands.

The "linking up" and "establishing contacts," that we speak of here refer to linkages between enterprises, the linkage of foreign trade enterprises with factories, and not to the linkage between government organs and enterprises. However, the linkage between foreign trade enterprises and factories must receive the support of the local and certain other government departments. When considering such linkages, the interests of certain industrial departments must be taken into consideration. Industry is of a local nature; the profits of industry are also profits of the locality. The linkage of foreign trade with industry must focus on the increase of production of marketable products, on the development of new types of products, and on the development of garment exports; this is the type of linkage that will be the most acceptable.

Garment exports involve a wide area of the economy, and conditions in the various departments, various segments, various localities, and various factories are quite different. It is therefore not possible to follow the same pattern in the integration of industry with trade, of technology with trade, of production with marketing, and in the forms of export agencies. These forms and patterns must accord with the great variety of actual conditions; experiences in many localities have already proven this point. With an understanding of conditions in some areas and according to my own knowledge, let me now discuss several forms of integration of industry with trade, of technology with trade, of production with sales, and of the agency system.

#### 1. Forms of Integration of Industry with Trade, of Technology with Trade, and of Production with Marketing

##### (1) Loosely Combined Management

Foreign trade enterprises and factories (including those that manufacture outer garment cloth, printing and dyeing mills, garment factories, and factories manufacturing accessories) set up loosely combined management. An "integration of production with marketing" is established between the two parties, the factory and the trade enterprise, on the basis of equality and mutual benefit, through friendly negotiations, and by signing, voluntarily on both sides, an agreement for joint management. The foreign trade enterprise assumes responsibility for providing information, of advertising the product, of marketing the product, and of periodically arranging at the factory for certain quantities of the product to be manufactured. The factory assumes responsibility for delivery of the goods in accordance with the export contracts, to "fit production to sales," to guarantee delivery on time and in proper quality and quantity, and, furthermore, to continuously develop new products for the foreign trade enterprise to sell abroad, according to the information provided by the foreign trade enterprise. Each side, the factory and the trade enterprise, is independent in its business operations and management, each bears responsibility for its own duties and obligations, and each brings its own strong points fully into play, to overcome the imbalances between production and sales that had occurred in the past. Loosely combined management is actually a relationship of mutual cooperation. The interests of the two sides, the factory and the trade enterprise, generally do not conflict; that is, the foreign trade enterprises generally do not partake in



the profits of the manufacturing enterprises. However, only by mutual consent between the two parties can the foreign trade enterprise partake to a small degree in the profits of the factory. This type of loosely combined management should be generally instituted, especially with key factories that process export garments, and the foreign trade enterprises should on their own initiative seek to set up this kind of combined management.

## (2) Joint Management of Production and Sales or Cooperative Management

The foreign trade enterprises and the factories do not invest in each other's enterprises. In addition to both sides assuming the duties and obligations as in loosely combined management, the foreign trade enterprise will also be responsible for introducing customers to the factory in question, to engage in compensation trade, to assist the factory in importing advanced equipment and advanced technologies, and in cases of necessity to provide the factory with the specific amounts of foreign exchange needed for the importation of advanced equipment and technologies, to develop the trade of processing imported materials, and to provide the factory remuneration with auxiliary materials unavailable in China, so as to facilitate production at the factory of garments better suited to international market demand. On the basis of mutual agreement, the foreign trade enterprise may partake of a small amount of the profits of the factory. These profits may be computed case by case or on an annual basis. The joint management of production and sales is one step more advanced than the loosely combined management, as far as integration of industry with trade and of technology with trade are concerned.

## (3) Factories Operated with Joint Capital Investment

The operation of factories with a joint investment by foreign trade enterprise and factories is quite possible in the case of textile mills, printing and dyeing mills, accessory factories, and garment factories. It is somewhat easier in the case of garment factories, where investment is small, results are speedy, little is put in and much is produced. When operating jointly-financed factories, the investment of the foreign trade enterprise must not be excessive; generally it should be the smaller proportion, allowing the factory to get a somewhat larger proportion of the profits. The products of the jointly-financed factory may be obtained by the foreign trade enterprise either on a purchase basis or on an agency basis for eventual export. The factory will maintain independent accounting and be responsible for its own profits and losses. The two parties, the factory and the trade enterprise, will share profits and bear losses according to the ratio of their investments. The operation of factories with joint investments makes for an even closer integration of industry with trade, of production with sales, and for greater vitality in the enterprises.

## (4) Operating Factories with Joint Chinese-Foreign Capital

The operation of factories with investments by three parties, namely the trade enterprise, the factory, and a foreign firm, or the operation of a factory financed by the factory and a foreign party, the foreign trade enterprise merely to introduce customers: Generally, the factory will invest the plant buildings, some of the equipment suitable for production, and an amount of RMB

(the plant buildings may not be invested, but rather rented by the joint venture). The foreign party will invest foreign exchange to buy advanced equipment. The foreign trade enterprise will invest by buying advanced equipment with foreign exchange or will invest RMB. The three parties will share profits and bear losses according to the ratio of their investments. The foreign party will be responsible for the marketing of the entire production, or part of it, as manufactured by the joint-venture factory. Generally, the exporting of the products will be entrusted to the foreign trade enterprise as agent, but may also be directly exported by the factory. The Chinese-foreign joint venture factory is truly achieving the integration of production with marketing as it ensures the sale of the production. In addition to importing advanced equipment and technologies, the factory can also introduce scientific management as practiced abroad and bring about a steady improvement in the quality of the products, their upgrading, an increase in designs and varieties, and better suitability of the garments for world markets.

## 2. Gradual Institution of the Export Agency System

Commissioning an export agent means to entrust a foreign trade enterprise with the marketing, concluding of contracts, expediting certification, shipment, exchange settlement, etc.; the foreign trade enterprise will charge the factory for which it acts as agent a certain handling fee. The factory is responsible for the procurement of the cloth, accessories, packing materials, the processing of the garments, their packing, and domestic transportation, and it will also have to bear any losses due to claims for compensation by foreign firms for losses caused by delays in delivery or quality defects. After exportation of the garments, tax refunds and price-disparity support are directly paid to the manufacturing enterprise. Because the garment exports concern many departments and many segments, because export prices differ for consignments to different markets of the world, and because economic results are quite different, agencies for garment exports must be based on the specific conditions; they cannot all be of the same pattern, and must even less be determined in precipitous action. We must create agency forms that suit actual conditions, first establish experimental cases, and after gaining experiences, gradually expand application. As to forms of garment export agencies, we may have the following forms:

(1) Case by case agencies: the factory commissioning the foreign trade enterprise as its agent item by item to export garments produced at the factory.

(2) The factory commissioning the foreign trade enterprise to export its entire production or a large portion of its production: The factory jointly financed by the factory and a trade enterprise and the joint Chinese-foreign financed factory may try out this form of export agency.

(3) The products from factories organized by companies jointly managed by factories and trade enterprises commissioning foreign trade enterprises as export agents: Companies jointly managed by factories and trade enterprises established with the joint investments by foreign trade enterprises and a certain number of garment factories. Joint management companies must obtain

the approval of the department in charge and must be registered by the administrative organ in control of industry and commerce as an economic entity with independent accounting systems and responsibility for their own profits and losses. The companies must have a board of directors and institute a managerial responsibility system. Their working personnel must be recruited from the foreign trade enterprise, from the factory, and from the general public. The export products manufactured by the factories participating in the joint management company are to be all exported by the foreign trade enterprise entrusted by the joint management company organization as its sole agent. The joint management company shall sign an agency agreement with the foreign trade enterprise. The joint management company's relation with the factory is one of procurement and processing. The joint management company does not take on the tasks of the factory, but has an equally preferential right to arrange for production. On receipt of the foreign trade sales contract, the joint management company may also arrange for production at factories in which the joint company has no investments. After exportation, tax refunds and price-disparity support are to be all paid to the joint management company. Business profits and losses of the joint management company are shared by the foreign trade enterprise and the factories at the ratio of their investments, but the factories themselves are entities with independent accounting systems and responsibility for their own profits and losses. The joint management company is not responsible for the obligations of the factories.

The foreign trade system of the entire country is now in the process of an active and conscientious reform. It is our intention to follow the above trends and become promoters of progress in economic reform. We shall make every effort to create new forms suited to the realities of China, to integrate industry with trade, to integrate technology with trade, to integrate imports and exports, and to institute export agency systems.

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## FOREIGN TRADE AND INVESTMENT

### EXPORT AGENT SYSTEM ISSUES ANALYZED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 7, 5 Jul 85 pp 16-18

[Article by Qian Zongqi [6929 1350 6386]: "An Analysis of Export Agent System Issues"]

[Text] The implementation of the agent system in export and import is one of the three reforms of our nation's foreign trade system. It is also an effective measure in the improvement of management and administration in foreign trade, and in the enhancement of economic effectiveness. The implementation of the agent system can not only strengthen the sense of responsibility in the management of production enterprises, improve administration, make exports more competitive, encourage careful calculation and strict budgeting among units using funds, develop internal potential, reduce the expenditure of foreign exchange, force foreign trade enterprises to change their bureaucratic style of work and improve the quality of services provided, but is also helpful in resolving contradictions between industry and foreign trade and in building closer relations between production and marketing. However, the system has certain disadvantages, such as the comparatively large risk that must be undertaken by the commissioning unit and the difficulty of maintaining a stable supply of goods for export. In addition it is not easy for foreign trade enterprises to thoroughly make it of their advantageous position. Therefore, there are prerequisites to implementing the agent system. We must not be hasty. In importing, we have already pretty much implemented an agent system, and results have been marked; therefore the system ought to be continued. However, the situation in exports is more complex. The purchasing system still has to be used with farm produce, sideline products and handicrafts; only with some commodities or production units under certain conditions can the agent system be implemented. There are even more questions as to whether to implement the agent system for industrial and mining products. The following several problems must be solved:

#### A. Can an Export Agent System Be Implemented for Industrial Goods?

I believe it can. The key lies in taking responsibility for export losses, in capital for export commodities, storage, and interest payments, and in handling foreign trade inventories. All areas must be properly dealt with.

With regard to export losses, losses often occur in the export of many industrial products. Some may increase along with price changes on the

international market and price increases for certain domestic raw materials. However, when one considers the favorable factors involved in commodity export, overall, the use of export agents and commissions by industrial enterprises and in assumption of sole responsibility for profits and losses are still beneficial.

Regarding capital and interest on it and warehouse rental charges, the implementation of the agent system in industrial enterprises will surely greatly increase the amount of goods in storage, and increase the use of circulating funds. At present the Bank of China issues loans for settling accounts and will also grant guaranteed loans, which can fill the need for this type of funding. Interest that must be paid on multi-purpose funds can be compensated with export profits.

In regard to foreign trade inventory already in existence, most of these products are not unsalable; products for which there is a big backlog are quite few, and can be dealt with via cooperation between industry and foreign trade units. Therefore, in terms of principle, most industrial enterprises can implement the export agent system.

#### B. What Conditions Are Required To Implement the Export Agent System?

The two main factors here are the ability of industrial enterprises to take risks and plan contacts and professional coordination between industry and foreign trade.

In implementing an agent system, the industrial enterprises naturally must take responsibility for the consequences of the export of their products. Due to the frequent changes in the international market, the inability to sell some goods, cancellation and violation of contracts, and variations in exchange rates will be frequent occurrences; therefore management risks will be greater than in domestic marketing. This will require better management skills, including the ability to understand information about the market, to become familiar with the realities of international trade, possession of the necessary facilities and availability of specialized personnel, and so on. At the same time, because the state no longer issues purchasing, transfer and allocation plans for a good portion of commodities involved in foreign trade, export quotas will be determined by the industrial enterprises, which will contact and coordinate their work with foreign trade enterprises. If good connections are not made between industry and foreign trade, or if unresolvable contradictions occur in business dealings, the state's export plans will come to nothing, export trade will be adversely affected, and the state's foreign exchange reserves will be reduced.

With regard to the present situation, only a portion of industrial enterprises are capable of implementing an agent system. In addition, those enterprises that produce goods in short supply on the domestic market or whose goods provide a better profit when sold on the domestic, as opposed to foreign, market, run the risk of shifting sales from the foreign to domestic market. There ought to be, therefore, limits to the utilization of the agent system in export.

### C. Within What Limits Should the Agent System Be Instituted?

The nature and categories of industrial products for export are many and varied--there are those that require intensive labor, while others need intensive capital investment. Some require a great deal of technology. Some are specialized, while others can be put to general use. Some are produced by state-run enterprises while others are manufactured by collectives. Some are produced in a centralized manner, while others are decentralized. Some are produced by several units working in cooperation, while others are produced by one single unit. Some enterprises export single parts, while others export goods in complete sets, and so on and so forth. Therefore, with complex, varied industrial products available for export, we cannot rely solely on one form of management, but must adopt a variety of different modes. In order to stimulate industrial enterprises to produce more commodities for export, to make closer ties between industry and foreign trade, and to better motivate the management energies of foreign trade enterprises so that they can gain a mastery over the supply of goods, the export agent system ought to be restricted to the following limits:

Commodities should be restricted to mainly those requiring the intensive use of technology or capital, specialized products, or products of general use for which service is provided after being sold, and single parts. We do not need to use the system for goods in complete sets, goods requiring centralized production, products a large proportion of which are made for export, non-staple commodities whose styles must change frequently to adapt to the fierce competition on the international market, and so on.

Target enterprises should be restricted to those that produce a wide variety of products of which a definite proportion are reserved for export, and those that possess good management capabilities.

### D. What Measures Should Be Used To Implement the Export Agent System?

Judging from the current situation and the reactions of industry and foreign trade units, the following measures ought to be adopted in the implementation of the export agent system:

1. Planned contacts: Because the state no longer issues quotas in the majority of cases regarding the numbers and types of export commodities, industry and foreign trade must do a good job in providing planned contacts. At the beginning of each year, industrial and foreign trade units ought to sign agent contracts, based on balanced export plans drawn up after thorough discussion of the two parties involved, and that have gained the approval of the relevant higher authorities. Then the contracts must be strictly enforced. Economic sanctions should be applied according to the "Contract Law" if any party violates their agreement. Both industrial and foreign trade enterprises should take responsibility together for the export tasks issued by the state.

2. Professional coordination: Disagreements may occur between industry and foreign trade in the process of implementing contracts. In such cases, the



responsible government departments ought to exercise their administrative powers in foreign trade and mediate, dealing with problems impartially and resolving them appropriately.

3. Encouraging export: The state should encourage and show preferential treatment towards industrial products that are exported for a commission by foreign trade enterprises working as agents for industry. If losses are sustained in export, the state should reduce or eliminate product and appreciation taxes; when losses are sustained on exports produced in excess or outside of the plan, the problem should be resolved by examining, reducing and readjusting taxes; when export profit rates are lower than rates for sales of the same goods on the domestic market, the state should bridge the gap by using preferential tax treatment based on the principle that the profits from the external market should be slightly higher than those of the domestic market; definite encouragement ought to be given to the export of high-quality name-brand products or new products that can bring fairly good economic results, and so on.

4. Credit supports: The Bank of China should grant guaranteed loans or loans on security to industrial enterprises that have implemented the agent system. The industrial and commercial banks ought to expand lending practices to grant credit supports to help provide for the necessary circulating premiums.

5. Expanding foreign trade-related services: Foreign trade enterprises acting as export agents should enthusiastically serve the exporting industries and promptly provide them with information on the international market, samples and materials from abroad, and begin consultative services as well as helping them solve problems related to storage, shipping, and inspection of export commodities.

6. Sharing responsibility for risks: Due to the constant flux on the international market, there are many risks involved in foreign trade. For example, it is difficult for the exporting industrial enterprise to take on all the responsibilities and risks entailed in the export business. This would not be helpful in promoting a sense of professional responsibility in the foreign trade enterprises, or in energetically expanding our export trade. Therefore, the foreign trade enterprise that acts as an agent should shoulder a portion of the losses involved in the cancellation of contracts, rejection of goods, demands for debt payments, bad accounts and other problems related to the export agent system. For example, if these losses are totally the fault of the industrial enterprise (such as products not up to par, lateness in delivery, etc.), then the industrial enterprise ought to shoulder the entire burden.

7. Profits for both parties: To promote close coordination between industry and foreign trade while conducting business on the export agent system, the benefits of both sides must be tied together; their gains and losses ought to be inseparable and both parties should feel bound by a common cause. For example, export agent service commissions can vary according to the degree of difficulty involved in handling different export commodities, the volume of goods exported and the size of the risk involved. Generally fees should be

between 1.5 and 3 percent. Foreign trade enterprises should also share some of the foreign exchange retained, the proportions of which could correspond with the risks involved. Also its sphere of usage ought to be appropriately expanded (for example to cover investments, benefits for the staff, etc.).

8. Improving evaluation indicators: All foreign trade enterprises acting as agents should only evaluate the volume of exports dealt with and the amount of income resulting from commissions (deleting losses due to risks taken when acting as agent). Industrial enterprises should base their appraisals on the amount of export sales, profits, costs and the turnover rate of funds. Rewards and punishments to be meted out to the enterprises should be based on these evaluations.

E. What Steps Should Be Followed In Implementing the Export Agent System?

First, launch more experimental projects.

The export agent system should be implemented step by step; uniform standards cannot be adopted, nor should any precipitous actions be taken. Rather we must energetically establish pilot projects to gain experience, and then gradually expand. The main focus now should be on dealing with the doubts and worries of both industrial and foreign trade enterprises and on setting up more experimental projects. Our work must be energetic, stable, speedy, and effective at the same time. Commodities chosen for the projects can include staples that are profitable to export or that will show some loss, but that have the potential to make up for deficits, that are easier to manage and have a future for development. Experimental targets ought to include large- and middle-sized factories and mines that are managed fairly well. In Implementing the agent system, the foreign trade enterprises must directly export the products of the industrial enterprises, and based on the "four principles of unity" and "two principles of openness," improve coordination between industry and foreign trade; the responsible departments higher up should not be quick to interfere.

Second, strengthen organized leadership.

The implementation of the export agent system represents an important change in the operational style of foreign trade that extends to numerous aspects of management and administration in both industrial and foreign trade enterprises. Problems will naturally occur when the system is put into practice. Therefore, responsible government departments at all levels should shoulder the responsibility of administrative management to make overall arrangements jointly with other organizations concerned and promptly solve problems as they arise. Industrial and foreign trade enterprises must also strengthen organizational discipline and energetically, conscientiously put the export agent system into practice.

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FOREIGN TRADE AND INVESTMENT

LIBERALIZED DOMESTIC, UNIFIED FOREIGN TRADE POLICY URGED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 6, 1985  
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[Article by Qiu Demin [6726 1795 3046], Economic and Trade Bureau, Shaanxi Province: "Tentative Discussion of the Problem of Establishing a Foreign Trade System That Combines Liberalized Central Control of Foreign Trade Enterprises with a Unified Central Policy for Dealing with the Outside World"]

[Text] The question of what pattern we should seek to establish as the objective in the reform of China's foreign trade system is an important topic that practice poses for us, and to which a clear and definite answer must be given. In the present article, an attempt is therefore made to set out some humble ideas on establishing a foreign trade system which combines "liberalized central control of foreign trade enterprises [domestic liberalization] with a unified central policy for dealing with the outside world [unified foreign trade policy]." It is hoped that specialists and scholars will offer their comments.

The Fundamental Meaning of "Domestic liberalization and Unified Foreign Trade Policy"

A foreign trade system is the pattern in which foreign trade is managed and controlled, together with all its basic institutions, as determined by all the essential foreign trade activities. The question of what pattern of a foreign trade system we should after all establish in China, so that the development of foreign trade will be promoted, is a question completely determined by the objective laws of foreign trade activity; such a pattern cannot be fabricated arbitrarily according to man's subjective will.

Everybody understands China's foreign trade to be the activity of exchanging commodities or labor services between China and other countries (or territories), the whole commodity circulation process taking place in two distinct markets, the domestic and the international market. Since the two markets are located in two different political and economic environments, and since they are controlled by two sets of different socioeconomic relations and economic laws, a foreign trade system that is to serve the development of our foreign trade must not only conform to the laws of the socialist economy and the objective demands of our developing national economy, but must also be

appropriate for the development of international trade. This peculiarity of China's foreign trade determines the need to implement in the reform of our foreign trade system "the mobilization of enthusiasm among all quarters as well as the realization of a unified central policy in dealing with the outside world" (Footnote 1) (CPC Central Committee: "Resolution on the Reform of the Economic System," offprint, p 34), thereby breaking down the fetters of the traditional state-monopolistic system of foreign trade, and gradually establishing a pattern of "domestic liberalization and a unified foreign trade policy."

What is "domestic liberalization and unified foreign trade policy"? "Domestic liberalization" mainly refers to the following action based on the theory of a socialist planned commodity economy: the conscious adoption of the law of value, liberating and invigorating domestic production and business operations of enterprises, bringing the enthusiasm, initiative and creativity of foreign trade enterprises, production enterprises and scientific research units fully into play, and allowing these enterprises, within the limits of state policies and plans, and within the spheres of business operations approved by the state, full authority in planning, pricing, adjustment of assortments of goods, as well as the freedom to operate their business affairs independently, and to make all their own dispositions in personnel matters. It is a system that will, furthermore, advocate and protect rational competition between enterprises, and that will at the same time adhere to the principle of "each to take care of himself" in the internal management of the enterprises. The enterprises shall make their own independent policy decisions and their own arrangements as to their internal personnel, property, and materials affairs, as well as with regard to supplies, production and marketing. The enterprises themselves shall choose the pattern of business operations, and no sector of the government administration shall arbitrarily interfere in the legitimate business operations of the enterprises. The "unified foreign trade policy" mainly refers to placing commodity and labor service exchange activities in the international market under strict supervision and centralized control of the state, regardless of the type of foreign trade enterprise involved, and carrying out a unified policy toward the outside world. The starting point for all commodity and labor service exchange activities and all business contacts of enterprises in the international market must be the consideration of the interests of the state and of the entire nation, the strict observance of the general and specific policies and regulations of the state with regard to foreign trade, the submission to the unified leadership and centralized control of the state, and a strict enforcement of all orders and prohibitions decreed by the state. Apart from allowing the enterprises authority to select the pattern of trading, the determination of the assortment of goods for export (excepting cases where commodities are subject to mandatory planning by the state), the authority to investigate and research market conditions, to do their own pricing within the scope of price limits set by the state, there shall be a centralized control and supervision by organs specially designated by the state over all planning, marketing and pricing of import-export commodities, over the allocation and quotas for important commodities, over import-export licensing, and over foreign exchange receipts and expenditures. In all these areas, no unit whatsoever may do as it pleases or engage in mutual competition. If there is any overlapping in the trading of the same type of any commodity, the state must arrange for coordination and adjustment,

to arrive at a state of affairs where all speak with one tongue, all march in the same step, and all show "one fist" to the outside world.

The two aspects, "domestic liberalization" and "unified foreign trade policy" presuppose each other, condition each other, and complement each other. The "domestic liberalization" is the source of dynamic force for the development of foreign trade; the "unified foreign trade policy" serves as foundation on which we are opening up the markets of the world. Without "domestic liberalization" the "unified foreign trade policy" would not have its needed counterpart. Without the "unified foreign trade policy" the "domestic liberalization" would end up in chaos. It is therefore easy to see that the two are two opposites that form one entity; it is an entity of dialectics. Both are part of our foreign trade system, and both in unison are the essence of our socialist planned economy.

During the past 35 years, the positive and negative experiences in China's foreign trade testify to the fact that we must not adopt a method of managing our foreign trade that would allow "domestic liberalization" to undermine our "unified foreign trade policy," and we must also not go the road of the past of using "unified foreign trade policy" as a means to suppress "domestic liberalization." The reason is that the former method is bound to end up in chaos and would create irreparable damage, and the latter method is bound to end up in controls with deadly rigidity and restrict the development of foreign trade. The only way to adapt to the new situation and meet the new demands of China's foreign trade development is therefore to start out in our explorations and in our actual practice from an integration of "domestic liberalization" and "unified foreign trade policy," to gradually establish a trade pattern of "domestic liberalization combined with unified foreign trade policy."

Currently, guided by the spirit of the CPC Central Committee's "Resolution on the Reform of the Economic System" and Document No 122 (1984) of the State Council, the reform of China's foreign trade system has achieved a breakthrough progress in invigorating the enterprises and enlivening our business operations. However, at the same time, certain localities and units have shown a tendency to weaken or evade the unified control of the state, while certain foreign trade control organs have been unable to correctly carry out the separation of government administration and enterprise management. They have mistaken the policy of simplifying administration and relegating authority for a permission to divest themselves of all responsibility, hence relaxing all guidance and supervision of the enterprises. To merely "liberalize" without "unifying," merely giving "autonomy" to the enterprises without giving any thought or taking any action with regard to state supervision is in actual fact manifestation of a kind of anarchism. If it is allowed to spread freely, it is bound to create a chaotic situation beyond imagination. In view of these facts, it is necessary to make a conscientious study of the Central Committee's "Resolution," strengthen theoretical research, further enhance our knowledge, unify our thoughts, at the same time as giving the enterprises a free hand and invigorating their foreign trade operations, also effectively strengthening the control of foreign trade work, strengthening our unified stand toward the outside world, and to have the

reform of our foreign trade system steadily progress along the road of an integration of "domestic liberalization" and "unified foreign trade policy."

Establishing the Theoretical Basis for the Trade Pattern of a "Domestic Liberalization and Unified Foreign Trade Policy."

The foreign trade system is an important integral part of the national economic system, directly conditioned by the developmental level of China's productive forces and its socioeconomic relations. Its theoretical basis can only be rooted in the character and basic features of China's socialist economy.

The CPC Central Committee pointed out in its "Resolution on the Reform of the Economic System" that China is practicing a planned commodity economy built on the foundation of the socialist system of public ownership. Since it is a commodity economy, social production will of necessity have certain traits of a commodity nature. Everybody knows that at the current stage of development, the development of China's social productive forces are still at a low level, and that specialization is also not extensive. There are still different economic forms and different types of ownership in the composite of our social economy. Labor is still a means of life and not life's prime want. The products of labor can only be exchanged as commodities, which is why the law of value and competition play an important role in our social and economic life. Although there is essentially an identity of interests between state and enterprises and between the enterprises themselves, yet certain differences in economic interests are still bound to exist. Neither the state nor the enterprises can possess the fruits of someone else's labor without compensation. In economic respects the relationship between them can only be one of commodities and currency; exchanges of equal value and distribution according to work are still current practice and principle. This difference in economic interests between state and enterprises and between the enterprises themselves is objectively placing the enterprises into a relatively independent economic position and giving them autonomy in matters of production and business operations. The difference between the foreign trade enterprise and any other enterprise is merely one of social division of labor; there is no difference in innate character, and the ordinary enterprise too is of a relatively independent nature, and has the right to conduct its business affairs independently. China's social productive forces and the multilevel structure of the ownership system, and this kind of relatively independent economic status of the foreign trade enterprises, determines that we must respect the autonomy of enterprises, consciously apply the law of value, and that we must fully mobilize the enthusiasm, initiative and creativity of the enterprises and of their staff and workers, so as to turn our enterprises into an organizational entity full of abundant dynamic force and vitality.

For a long time past, however, due to a lack of scientific understanding of the socioeconomic character of socialism, we regarded commodity economy and planned economy as two contrasting opposites. We negated the relatively independent economic position of enterprises, ignored the function of the law of value, and essentially adopted the Soviet state-monopolistic foreign trade system as theoretical basis for the management of our foreign trade. We

confused and mixed together the right to foreign trade and the right of business management, with the result that there was no separation of government administration and enterprise management, that government administration assumed the position of enterprise management, that enterprises became the slaves of planning, and that all vitality was lost in the "abacus beads" of the administrative departments in charge.

It must be pointed out that according to the Soviet state-monopolistic foreign trade system "all business affairs of the foreign trade was centralized in the hands of specialized state organs." (Footnote 2) (The Soviet "Textbook of Political Economics," People's Publishing House, Chinese edition, Vol 2, p 597) This amounts to a fundamental denial of the relatively independent economic status of enterprises, a denial of the division of state and enterprises, of government administration and business management, of ownership right and right of business operation, and a denial of the due autonomy of enterprises. Consequently, this way of thinking also denies the objective need for the mobilization of enthusiasm in the enterprises. It is therefore necessary for us now to start out from the national conditions of China and the realities of foreign trade, and courageously reform the traditional pattern of a state-monopolistic foreign trade system.

China's socialist planned commodity economy has not only the attributes of a commodity character, but is also of a planned nature. This is the basic difference of the socialist commodity economy from simple commodity economy and from the capitalist commodity economy. The system of public ownership is the material foundation of the socialist commodity economy, an economy which is developed with planning, guidance and leadership; it is certainly not a state of blind, irrational anarchism. The fundamental economic laws of socialism and its laws of planned development play the decisive role in the entire socioeconomic life. A state that represents the basic interests of all its workers must and can, therefore, distribute social work and the means of production in a planned way according to social needs. It can regulate in a planned way all socioeconomic activities, and can maintain the harmonious development of all departments of the national economy and appropriate proportions between them. This kind of planned regulation of the national economy carried out by the state demands objectively that the economic activities of all departments, all localities and all enterprises must conform and submit to the overall interests of the nation, and demands that foreign trade must adhere to the principle of a unified foreign trade policy in dealing with the outside world. This is so because only by carrying out a unified foreign trade policy can we achieve a concentration of all our strong points, enhance our international competitive strength in foreign trade, and raise economic results. Only by carrying out a unified foreign trade policy can we ensure the realization of the unified plan for our national economy and conduct a fully effective foreign trade. It is also only by carrying out a unified foreign trade policy that we can implement more effectively our policy of independence, self-determination and of self-reliance in our reconstruction, and that we can firmly adhere to the socialist direction in our foreign trade. It is evident that implementing the principle of a unified foreign trade policy, in our foreign trade, is not only an inherent demand of our planned economy, but also the fundamental guarantee for the consolidation and development of our foreign trade relations.

Foreign trade is a bond and bridge of economic relations that connects China with other countries, and in this role must be subject to the control by our planned economy, as it is also subject to the control by the laws of international trade development. In establishing a scientific pattern of a foreign trade system we must therefore not only start out from the developmental level of our domestic productive forces and the objective needs of our socioeconomic relations, but at the same time give consideration to the trends and demands of the international trade development. We all know that the commodity exchanges of foreign trade are mainly carried out in the international markets, and that the international law of value plays the decisive role in these commodity exchanges. That market "recognizes no other authority than the authority of competition." (Footnote 3) (Marx: "Das Kapital," Vol 1, p 394) Whatever its social system, the country that participates in international trade must immerse itself into the whirlpool of international competition, undergo the test of the international law of value and accept its decision. These conditions require of anyone who is determined to defy defeat in the fierce international competition that he possess a high degree of international competitiveness. In modern international trade a country's competitive strength is made up of a variety of factors; there is the quality and production cost of the product, as also the selection and application of the mode of trading and means of marketing; there is the gathering and feedback of market information, as also the improvement and level of production technology; there is the deployment and adaptability of the qualified personnel of the enterprises, as also the appropriateness of the country's trade strategy, trade policy and economic regulatory measures. It is for these reasons that many countries participating in modern international trade not only adopt various economic regulatory measures to promptly adjust the structure of their domestic production and technology, accelerate renovation of equipment, incessantly improve product quality, reduce costs, also develop new products, and, furthermore, make use of the political power of the state for direct interventions in the import-export activities of the enterprises in the international market, to support and protect the competitive status of the enterprises. This is an important trend and peculiarity in the current development of international trade. These conditions make it necessary for the further development of China's foreign trade that the enterprises which directly participate in the international competition have a full measure of enthusiasm, creativity, and adaptability, and that their enthusiasm be fully mobilized. Because it is only with a total mobilization of enthusiasm on the part of the enterprises that it will be possible to have abundant resources of highly competitive goods, that we will be able to train and bring up a large contingent of highly qualified marketing personnel, fully familiar with and competent in all modes of trading and means of competition, that we can open up a new path for the integration of industry with trade and of technology with trade, and that we will be able to create a new overall situation in China's foreign trade. The reform of our foreign trade, therefore, must focus on the enterprises and aim at injecting a high degree of vitality into them.

However, enthusiasm on the part of the enterprises alone without unified guidance and centralized control by the state is also not workable, because in the relation of state interests and enterprise interests, the enterprises are



apt to give more consideration to their own interests and to easily neglect the interests of the state. The field of vision of enterprises is likely to be comparatively narrow, and they may show extensive limitations and insensibility in their conception of the international market, and consequently experience certain difficulties in accurately handling and utilizing the laws of fluctuations and developmental trends of the international market. It is therefore necessary that the full mobilization of the enthusiasm of the enterprises be accompanied by guidance and supervision by the state, exercised within the framework of its macroeconomic strategy. Otherwise, problems may arise in the occurrence of mutual competition between enterprises in the international market and a generally confused state of affairs, resulting in a weakening and even stifling of China's competitiveness in foreign trade. In a certain sense, the "vitality" of the enterprises is actually a kind of competitiveness. However, practice has proven that this competitiveness of the enterprises is only an individual, dispersed, and therefore latent competitiveness, not a concentrated, overall, and really effective competitiveness. To convert this individual, dispersed and latent competitiveness into one of real effectiveness, it is necessary to enforce the principle of a unified foreign trade policy. If one were to avoid action on this line, and if one were only to confine oneself to coining fine phrases about arousing the enthusiasm of the enterprises, if one only asks for "vitality" in the enterprises without a "unified policy" of the state, or if one were even to go so far as to allow every enterprise to plunge into the international market single-handed, "a single rider with only one lance," to engage in free competition, even an enterprise with the highest enthusiasm and vitality would still be crushed by the international bourgeoisie, and in the end the so-called mobilization of enterprise enthusiasm would become nothing but an empty phrase. The historical experiences tell us that in our foreign trade a united front is the source of our strength and that unity is the guarantee for victory. Only by upholding a unified foreign trade policy can we more effectively bring into play and safeguard the enthusiasm of the enterprises, and can we gather together the vitality created in the domestic production and business operations of the enterprises into effective international competitiveness. This international competitiveness in turn will further strengthen the vitality of the enterprises and open up a broader field of activity.

The above analysis explains that the establishment of a foreign trade pattern of "domestic liberalization with a unified foreign trade policy" is not only an inherent demand of our planned economy, but also an objective demand of the international trade development. It not only embodies the basic characteristics of China's foreign trade, but also embodies the policy of the central authorities of opening up toward the outside world and of invigorating the domestic economy. The gradual establishment of a foreign trade pattern of "domestic liberalization with a unified foreign trade policy," it seems, can be a the most ideal pattern and objective for China's reform of the foreign trade system.

## Tentative Ideas for the Establishment of a Pattern of "Domestic Liberalization Combined with a Unified Foreign Trade Policy."

Establishing a foreign trade pattern of "domestic liberalization combined with a unified foreign trade policy" is a very large project of system engineering, which requires us to start out from the machinery of foreign trade activities and its essential parts, and also to consider a variety of related factors. Here, we can only probe into the problem from six high-level aspects:

1. The System of Policy-Making. This consists mainly of two levels, the state and the enterprises, the state occupying the dominant position in policy-making. All matters falling within the scope of state control: government administration and law, strategy and tactics, general and specific policies, planning and statistics, foreign exchange, pricing, taxation, exchange rates, allotments, quotas, licensing, trading countries and territories, large and medium-size projects and major economic regulatory measures, all these must be subject to the centralized decision-making of the state, which will also have to organize execution. The enterprises must unconditionally carry out the state's foreign trade decisions. For this purpose, the foreign trade control organs at all levels must be reformed and strengthened, enabling them to represent the state and fully perform all control and supervisory functions of the state. On the other hand, all internal managerial work within the enterprises and all questions concerning their domestic business operations, including the internal structural establishment, deployment of staff, wages and welfare, all managerial rules and regulations, supply, production, and marketing as well as the pattern of business operations must be independently decided by the enterprises and arranged for by the enterprises themselves, according to relevant policies and decrees of the state, and no foreign trade control organ of whatever rank must rashly interfere in these matters. To attain this objective, it is necessary to separate the functions of the government administration from those of the enterprise management, and allow the enterprises to assume a relatively independent position. However, the separation of government administration and enterprise management must not be merely an organizational formality; we must not have "one set of a rider and horse, but with two labels," but the separation must be one of assigning different functions to the state and to the enterprises, especially a separation of decision-making powers. The macroeconomic decision-making power rests with the state, the microeconomic decision-making power rests with the enterprises. These are decision-making powers of different character, with different scopes, and different functions. The former bases mainly on the law of socialist planned development, while the latter bases mainly on the law of value. The two condition one another and supplement one another. The plan itself is a policy decision, and indeed a highly important policy decision. The separation of government administration and enterprise management must therefore first of all be carried out in the reform of the system of foreign trade planning. It must be the gradual implementation of a policy of "three primary and three subsidiary" items, namely guidance-style planning to be primary, directive-style planning to be subsidiary; comprehensive value targets to be primary, commodity quantity targets to be subsidiary; export exchange receipt targets to be primary, supply of goods targets to be subsidiary. Moreover, the export plan and economic result targets should be issued to the lower levels of the



administration at the same time and evaluated together. This method will enable the state to control the scope and speed of foreign trade development from beginning to end and be in control of the overall situation, as it will also allow a comparatively large room for maneuvering for the business activities of the enterprises, enabling them to bring their enthusiasm in independent business operations and their initiative fully to bear.

2. The System of Dynamic Force. Establishing a system of dynamic force in foreign trade, with the enterprises as the principal subjects, with responsibility the foremost factor, and with a combination of responsibility, power and interests, is one of the important parts of the reform of our foreign trade system. Dynamic force is the source of vitality, vitality is the manifestation of dynamic force. An enterprise is a cell in the national economy, with a relatively independent economic position and with its own special economic interests. Since it is the source of dynamic force, also the seat of vitality, the establishment of a dynamic system of foreign trade must take the enterprise as its principal subject. Not only that, in a certain sense, pressure is also a kind of dynamic force. The relationship between pressure, vitality and dynamic force is actually the relationship in the combination of responsibility, power, and interests, as they are in also, correspondingly, the products of responsibility, power, and interests. What is meant by building up the essence of a system of foreign trade dynamic force is, then, effecting a combination of responsibility, power, and interests, according to the principle of measuring out responsibility according to authority and measuring out interests according to responsibility. Judging by the actual conditions of China's reform of its foreign trade system, no great breakthrough has so far been achieved in this question. We must therefore actively create the preconditions in the external and internal affairs of the enterprises, so that the problem of creating a dynamic force in the development of foreign trade may be solved as soon as possible.

First, we must shift from profit-delivery to taxation, change the dependent status of the enterprises and raise them to economic independence, to become viable organisms.

Second, we must unfold rational competition in domestic production and business operations, select the fittest for our support and apply a kind of life-and-death pressure on the enterprises, thereby instilling vitality in their production and business operations.

Third, following the simplification of government administration and the delegation of powers, we must effectively implement the principles of the contract responsibility system, of allowing the enterprises independent business operations, independent business accounting, responsibility for their own profits and losses, of implementing exchanges at equal value, and of distribution according to work, thereby mobilizing the enthusiasm of the enterprises and of their staff and workers.

Fourth, we must distinctly demarcate rewards and penalties; policies must be actually carried out. According to the extent to which enterprises carry out state policies and fulfill state plans, and according to the economic results that are achieved, cases must be rewarded or penalized according to their

deserts. Great contributions must be greatly rewarded, serious shortcomings must be seriously penalized. Cases of extremely poor business management must be closed down, suspended, merged or retooled. Violations of criminal law must be punished according to law.

3. The Regulatory System. Regulation in this context refers to such regulation that will increase economic results from foreign trade and effectively deal with the varying economic interests between various quarters. This mainly comprises such regulatory means as government administration, law and economic regulations, as well as the mechanism of their applications. Administrative regulation mainly refers to the role of the state's planning, general and specific policies as well as its various types of directives. Legal regulation is the important guarantee by the state for the other two, the administrative and the economic regulations. Economic regulation, finally, is the use of a mechanism of important economic measures, such as wages, prices, interests and exchange rates (internally), items within the sphere of value, as well as support, encouragements and rewards, and economic sanctions to effect regulation. The essence of economic regulation is the conscious use of the law of value, and the use of prices and taxation as the main means of regulation to promote the development of foreign trade.

Prices reflect the value of the commodity expressed in currency. For export commodities there exist two scales to measure value, namely the domestic and the international scale of value; in exchanges they are measured according to the international value. Prices for export commodities must therefore be determined on the basis of the law of value and as far as possible be close to or even equal to the international value of the commodities. This will not only have the beneficial effect of forcing the enterprises to demand of themselves their greatest efforts to improve production technology and product quality to conform with the standards set by the international values, but will also have the beneficial effect of exposing the enterprises to the fierce international competition, have them measure up to international standards, have them enhance their competence through trials and hardship, and have them unceasingly improve the level of their business management and competitiveness. At the same time, we must also break down the constraints of departmental interests, stress the need to start out from the overall interests of the nation in weighing advantages and disadvantages. We must not limit our accounting to one as between departments, and play the farce of shifting profits and losses between the interests of departments. That means, that whatever can be profitably exported must be exported, even if a particular department or unit should suffer a loss. This is the principle of the unified foreign trade policy as applied specifically and showing up in the determination of export commodity prices. Along this line of thinking, this writer believes that the following points should be considered in controlling prices for import-export commodities:

(1) The prices of all import commodities and export commodities manufactured by processing imported raw or semifinished materials should be directly linked to international market prices, such as products processed from imported materials, and Chinese products which command a monopoly position in the international market, etc.

(2) The method of linking prices with those in the international market should also be tried out for all export commodities manufactured under directive-type planning of the state (about 100 types). Losses thereby incurred by the enterprises should be made good by subsidies from the state treasury or by tax exemptions or tax refunds.

(3) For commodities manufactured under guidance-type planning, as long as manufactured from domestically produced raw and semifinished materials, a system of two sets of prices, one domestic and one for abroad, should in principle be continued, and enterprises shall be free to determine these prices on the basis of their production costs.

(4) On the premise of not exceeding the upper limits (in the case of import prices) set by the state or lowering prices (in the case of export prices) below the lower limits set by the state, the enterprises should be free to determine their prices according to supply and demand in the international market.

(5) The enterprises may freely fix prices for overseas sales in the case of new or small commodities and for unplanned commodities which enjoy good sales abroad, which are exported at a profit and for which there are domestic sources.

Tax revenue is the major source of state income. It is also an important means of economic regulation, to regulate the direction of enterprise production and business operations, and to guide the enterprises in the fulfillment of their tasks under the state export plan. This regulatory means must therefore be used scientifically, according to the larger or smaller value of the various kinds of commodities, according to the requirements of our different policies for different countries and territories, and according to the developmental needs of the national economy. The following points might be considered in the control of taxation of import-export commodities:

(1) Commodities that are exported at minimal profits or at cost, but which have good prospects, should be exempted from customs duty or have tax (products tax) refunded, as a means of supporting production, expanding exports, consolidating or opening up markets, thus providing favorable conditions for future development.

(2) Export commodities that yield much foreign exchange and high profits should be taxed an adjustment or ad valorem tax, to provide a gradual solution for the problem of an excessive disparity in income between enterprises, created by differences in natural conditions or irrational prices, so that all enterprises start out from the same starting line in their mutual competition.

(3) Products manufactured from imported materials and a large part of industrial products, especially durable consumer goods, machinery and equipment, should be exempt from customs duty and should have their adjustment and ad valorem tax refunded.

(4) For import commodities different tax categories and different tax (customs) rates should be applied, or tax exemptions prescribed, depending on

the different positions they demand in the national economy, and according to our varying policies as they apply to the different exporting countries. In principle, any industrially manufactured product or high-grade consumer goods item for daily use should be subject to a comparatively high specific duty rate. For all raw and semifinished materials in the nature of natural resources products, a comparatively low ad valorem duty should be prescribed, and for technological equipment, all kinds of components and materials for agricultural use the very lowest duty rates should be fixed. Technology- or knowledge-intensive products, should be prescribed, while generally applicable technologies, scientific instruments, reagents, library materials, instructional equipment, medical articles, and sporting goods should be exempt from customs duty. To sum up, the adjustment of the tax and duty policy and the determination of tax categories, tax brackets, and tax rates must, on the one hand, protect the national industry, and on the other hand be beneficial for the expansion of exports. It must be beneficial for our opening up to the outside world, and on the other hand also have a beneficial effect invigorating our domestic economy. There must be no emphasis on one thing at the expense of the other, and even less consideration must be paid to achieve immediate financial profits.

4. The Business System. Establishing a system for foreign trade operations around specialized foreign trade corporations as principal subjects, a system which will combine multilevel, multipattern, and multichannel business operations for a long time to come, is the important task of our reform of the foreign trade system. At the core of these business operations is the right of the enterprises to conduct their business operations independently and with freedom to set up business organizations in a variety of patterns. We must therefore radically change the monopolistic operations of the specialized foreign trade corporations, the state of "having only one solitary flower blooming forth," but must rather develop a large variety of forms that will joint together in business. The scope of joint business operations shall not be limited by departmental, territorial, national or ownership system restrictions. Regardless of their ownership by the whole people or by collectives, all enterprises may engage in import and export business as long as certain conditions are met and as long as they are approved by the competent authority; they may all freely select their business counterparts, voluntarily organize various kinds of joint economic entities, and directly deal with the outside world.

The export transaction is a decisive link in the foreign trade business operation, as it is also the key in the implementation of the unified foreign trade policy. As we open up and seek to invigorate our foreign trade, it is necessary for us to establish certain foreign trade transaction centers, mainly based in the major cities that have been opened up along the coast, and, furthermore, establish certain foreign trade business centers, mainly based at the key cities in the interior provinces and autonomous regions. This would bring the reform of the foreign trade system in line with the objectives and dispositions of the reform of our national economic system and complement it to form an overall coordinated system. This will also enable us to bring the industrial and economic activities of the interior provinces and autonomous regions into the unifying orbit of the various foreign trade business centers, and to bring all overseas sales and import transactions into

the orbit of the foreign trade transaction centers. After an appropriate division of labor according to the rational flow line of the commodities and traditional relations, we shall then also establish fixed business relations between the various foreign trade business organizations and the business centers and transaction centers. In this way we can ensure in organizational respects that our efforts at invigorating the foreign trade business will at the same time be accompanied by the realization of a unified stand toward the outside world.

After establishing a system for foreign trade business, the relationship between the various types of enterprises authorized to engage in foreign trade and the other production enterprises will in the future mainly become a relationship of partners in joint operations, to a lesser extent a commission and agency relationship, and to an even lesser extent a purchase and sales relationship.

5. The Service System. The service system in foreign trade refers to a system of specialized economic organizations, engaged particularly in serving foreign trade operations, and operating outside of the sphere of government administrative controls. It is mainly composed of enterprises in the foreign trade warehouse and storage, transportation, packing, advertising, information, product development, port and wharf business. Its task is essentially to provide various specialized services and be available for consultations to various enterprises, helping them to efficiently conduct imports and exports, also to support and guide the development and production of export commodities, and to promote greater economic results from export trade. Establishing a foreign trade service system requires that attention be given to the effective performance of the following work:

First, establishment of a national corporation for overall services to foreign trade for the purpose of drawing up a unified plan, achieve an overall balance, and make appropriate arrangements for all specialized services in all sectors, and have these services correspond to the scope and growth of foreign trade developments. The national corporation may set up branch corporations or agencies in key cities in China and abroad, to be in charge of the work of planning, coordinating, and managing various kinds of foreign trade activities and provide facilities for such. The national corporation must be an economic entity, and the national corporation and its branch corporations shall carry out separate accounting, each with responsibility for its own profits and losses. As to the specific service operations, they shall be undertaken by the various specialized foreign trade service corporations set up in the various regions, such as foreign trade transportation corporations, foreign trade packing corporations, foreign trade advertising corporations, etc. The relationship between the various foreign trade import-export corporations, the production enterprises authorized to engage in foreign trade and their joint entities, and the various foreign trade service corporations shall be commission and agency relations. All import-export corporations and the production enterprises authorized to engage in foreign trade may freely entrust such commissions or contract such agencies without any territorial restrictions.

Second, we must establish state, local, and overseas multilevel international economic affairs and trade information centers, also a network for information on international market condition, to provide the leading organs at all levels and all the various foreign trade enterprises with information from all quarters on international economic affairs and trade and to be available for consultations on foreign trade affairs.

Third, we must establish a national corporation for the development of export commodity resources, which shall assist in the development of new commodities. This corporation shall institute important measures to gradually change the composition of China's export commodities, to expand the sources of export goods and to increase the economic results from export trade. The main tasks of the national development corporation shall be to provide the production enterprises with information on commodities and technologies, to carry out overall planning and arrangements for development projects, to organize important scientific and technological research, to examine and approve the granting of funds and loans for development projects, to be in charge of the examination, testing, acceptance and appraisal of project results, and also to arrange for the widest application of such results.

The Organizational System. The organizational system of foreign trade is the organizational, structural form in which foreign trade is moving along. It is constituted by the combination of the management system and the business system. Focusing on the management system aspect, we see that it is comprised mainly of the following:

(1) The system of administrative supervision and control by the state, which is composed of the ministry of foreign economic relations and trade, the economic and trade departments (bureaus), the customs service, the commodity inspection service, special agency offices, and the Bank of China.

(2) The system of coordination and control of foreign trade operations, composed of the relevant specialized national foreign trade corporations and the foreign trade transaction centers. Their main function is to exercise coordination, guidance and supervision, similar to trade associations, of overlapping business operations in the same line of commodities, also with regard to plans, markets, prices, and allotments and quotas.

(3) The system of comprehensive services to foreign trade operations, mainly composed of the national comprehensive foreign trade service corporation and its branch organizations, the centers for international trade information and the various specialized foreign trade service corporations.

(4) The system of developing export commodity resources, composed of the national development corporation, its branch corporations or agencies.

All these systems are vertically-oriented. Their main task is to represent the state in the exercise of state control over foreign trade work and economic regulation, to have direct contact with the foreign trade centers and transaction centers, to effect guidance, coordination, service and supervision with regard to the foreign trade activities of the enterprises and to support and ensure the legitimate operations of the enterprises.



Focusing on the business system, we see main four channels, namely:

- (1) The specialized import and export trade corporations;
- (2) The joint entities of foreign trade corporations with production enterprises;
- (3) The production enterprises authorized to engage in foreign trade and their joint entities;
- (4) Economic organizations with coordinated processes of supply, production and marketing and combining foreign trade, production and scientific research.

The professional and business activities of these business organizations must all be directed on to the proper course of business through the foreign trade centers and transaction centers. The relations between the said organizations and the two "centers" and the relations between the said organizations themselves are merely horizontal relations of business intercourse, and not vertical relations of mutual subordination.

As the above-stated foreign trade control systems and business operation systems exist in a crisscross pattern of vertical and horizontal relations, they interact with each other, complement each other and constitute an organic entity, with the effect of moving foreign trade activities along according to certain procedures and channels, and in conformity with a regular pattern, thereby achieving a state of unity without deadly rigidity and brisk activity without anarchy.

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CSO: 4006/735

FOREIGN TRADE AND INVESTMENT

JIANGXI EXPORTS RISE AFTER LINKING TRADE TO INDUSTRY

Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 p 1

/Article by Chen Zhen /6186 6966/: "Jiangxi Sees Results from Integrating Industrial and Trade Management"/

/Text/ Jiangxi Province has actively started to integrate industrial and trade management to promote export production. In the first 9 months of this year export production for enterprises that have merged industry and trade was worth more than 18 million yuan, an increase of 98.7 percent over the period before management was integrated.

Since 1981, Jiangxi's foreign trade department has invested 8.7 million yuan and along with 16 industrial plants has opened up export enterprises under joint management. Among products exported were work gloves, cotton yarn, textiles, clothing, hogs, and pearls. At present, there are already eight enterprises operating that have merged management of trade and industry. Although doing business only 1 or 2 years, the superiority of integrated management is clearly evident as both sides are relatively pleased. Not only is the foreign trade department obtaining a proportional share of the profits, but sources of export products are increasing and product quality is rising as well.

To strengthen the competitiveness of exports from enterprises that are integrating industrial and trade management, the foreign trade sector is providing excellent service and is actively helping factories attract advanced technology. After the Nanchang People's Printing Plant, which has an integrated management, brought in an electronic color scanner, an offset press, and production line soft plastic packaging equipment, production capability and quality rose greatly. At present, 70 percent of its production is for export and it is responsible for one-third of the printed packaging exported from Jiangxi. After the Huibu breeding facility in Gaojan County integrated industrial and trade management, exports of fine hog breeds increased significantly. Of its present exports, 70 percent or so are fine hog breeds, placing it in the front rank of the province. The Jiangxi Light Industrial Import-Export Corp, organized some of the



factory staff of a work glove enterprise, which has integrated trade and industrial management, to visit America and explore markets. They have invited commercial clients to send technicians to visit their plant and direct production. Furthermore, they have brought in from Japan advanced sewing equipment and specialized pattern tools which have helped raise product quality. At present, there are two work glove operations that have integrated industry and trade; their products have become the provincial standards and they are highly regarded abroad.

13030/12276

CSO: 4006/451

## BRIEFS

XIZANG DELEGATION TO NEPAL--Lhasa, March 5 (XINHUA)--A delegation composed of leading officials in commerce, economy, tourism and foreign trade of the Tibet Autonomous Region left here today on a seven-day visit to Nepal. Led by Gyamco, vice-chairman of the Tibet regional people's government, the delegation will discuss ways to promote trade with Nepal and expand bilateral cooperation in the fields of economy, technology, tourism and aviation. [Text] [Beijing XINHUA in English 1649 GMT 5 Mar 86 OW] /6662

FIRST INTERNATIONAL MACHINERY EXHIBIT--Gematex '86, the first international general machinery exhibition in China, will be held in Nanjing in November, an official of the China National General Machinery Engineering Corporation told CHINA DAILY yesterday. The exhibition, jointly organized by the General Machinery Development Co Ltd of Hong Kong and the Jiangsu International Exhibition Corporation, will display advanced technology and machinery. About 30 percent of the exhibits will be domestically produced machines. So far, about 100 foreign companies had been invited to take part. The machinery industry is an important sector in Jiangsu's economy. [Text] [Beijing CHINA DAILY in English 5 Mar 86 p 2 HK] /6662

FOREIGN TRADE SEMINAR OPENS--Shanghai, March 1 (XINHUA)--Shanghai's annual foreign trade seminar to display export goods produced in this biggest industrial city of China opened here today. More than 2,300 foreign business people from over 80 countries and regions will attend the ten-day seminar, the most since 1983 when the seminar was first held, according to Guo Zhongyan, deputy manager of the Shanghai Foreign Trade Company, the sponsor. On display are more than 2,000 exhibits from 55 enterprises producing textile and light industry products, hardware, minerals, steel and iron, vessels, cars, electronic instruments, petrochemical products, cereals, edible oil and animal by-products. The seminar will also deal with barter trade, compensation trade, co-operative production, joint-ventures, technical transfer and financial investment. Shanghai exported a total of 3.3 billion U.S. dollars worth of goods last year and expects to have a nine percent increase this year. [Text] [Beijing XINHUA in English 1534 GMT 1 Mar 86 OW] /6662

HAINAN DAO DOUBLES EXPORTS--Guangzhou, March 5 (XINHUA)--Hainan, China's second largest island, exported goods valued at 76 million U.S. dollars in 1985, double that of 1984. The tropical island is making use of its favorable climate and abundant natural resources to develop its economy. Transportation,

communications and energy facilities have been improved in recent years. Tea, cashew nut, pineapple, coconut products and natural rubber are its main export commodities. Now 8,000 hectares of cashew nut trees have been planted in southwestern Hainan and 170,000 kg of the nuts were exported in 1985. Ilmenite, an iron titanium ore, is found along 500 km of coastline. Last year, 30,000 tons of the concentrated ore were exported. Hainan also supplies Hong Kong with vegetables and fruit. [Text] [Beijing XINHUA in English 0743 GMT 5 Mar 86 OW] /6662

TIANJIN JOINT VENTURES--Tianjin, March 5 (XINHUA)--Twenty Sino-foreign joint ventures are expected to go into operation this year at the Tianjin economic and technological development zone, the zone director said here today. In addition, 30 more joint venture contracts will be signed this year, he said. Wang Rongchun made the remarks at a ceremony celebrating the completion of the first standard workshop for a Sino-Denmark joint venture to produce protable bicycles. Tianjin, an important port and one of the 14 coastal cities open to foreign investments, designated a three-square meter area specially for the purpose. Two Sino-Japan joint ventures--an offshore engineering service company and an advertising company--went into operation earlier last year. He said two other standard workshop areas for eight joint ventures have also been completed. The official said the roads have been built and water and electricity supply facilities are available in the development zone. [Text] [Beijing XINHUA in English 1906 GMT 5 Mar 86 OW] /6662

NANJING SILK PRODUCTS FAIR--Nanjing, March 4 (XINHUA)--Over 200 overseas businessmen showed up at a silk export fair which opened here today. They came mainly from Western Europe, the United States, Japan, Singapore and Hong Kong and Macao. Organized by the China Silk Company, the seven-day fair displayed an array of products contributed by 16 provinces and cities. China is a leading silk exporter in the world, taking about 40 percent share of the world silk market. It exported 930 million U.S. dollar worth of products last year. The fair official expected good transactions at the current fair. [Text] [Beijing XINHUA in English 1320 GMT 4 Mar 86 OW] /6662

JIANGSU EXPORT TRADE FAIR--Nanjing, March 1 (XINHUA)--East China's Jiangsu Province has proposed 67 economic and technological projects for cooperation with overseas firms during a 12-day export fair that opened here today. Cooperation covers such areas as light industry, textiles, chemicals, pharmaceuticals, electronics, machine-building, commerce and aquatic products breeding, according to the provincial commission of foreign economic relations and trade. Attending the fair are 482 business people from Hong Kong, Macao and foreign countries. They can choose from 21,000 Jiangsu commodities displayed at an exhibition center in this capital of Jiangsu. Jiangsu, one of China's most economically developed areas, earned about 1.56 billion U.S. dollars from exports last year--up five percent from the year before. [Text] [Beijing XINHUA in English 1611 GMT 1 Mar 86 OW] /6662

JILIN CORN EXPORTS RISE--Jilin Province is actively exporting corn. As of 20 October total corn exports had reached 1.16 million tons which is 128.9 percent of planned exports for the year. It is calculated that production for the entire year could reach 1.7 million tons, making Jilin the leading exporter of corn in the nation. Because Jilin is a major corn-growing region, Jilin's government formed a leadership group for grain exports, which has established a corn export office. Each city, prefecture, and county has set up corresponding organizations so that the export of corn is organized from its source to its shipment into a unified process. The grain and rail transport departments are putting all their energy into a plan that would give corn exports shipping priority. Also the Qinhunag Island harbor service bureau is transforming the Ganjingzi dock into a dock exclusively for corn exports to guarantee they are loaded and shipped at the right time. Foreign trade departments treat corn exports as their central duty. With volume so heavy, it is urgent that quality be under control, so in cooperation with the grain department, lab technician and shipper training classes have been arranged. Furthermore, on several occasions leaders of the provincial trade committee and of a branch of the agricultural products import and export corporation have gone to Dalian and Qinhuang Island port as well as to other cities and counties to receive, organize, and load goods on a ship to guarantee the completion of a corn shipment. /Text/ /Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 p 1/ 13030/ 12276

CSO: 4006/451

LABOR AND WAGES

ECONOMIC REFORMS OPEN NEW CAREERS FOR WOMEN

OW080816 Beijing XINHUA in English 0743 GMT 8 Mar 86

[Text] Beijing, March 8 (XINHUA)--China's current economic reforms are presenting women with new career prospects, women's leader Luo Qiong said in an article in today's PEOPLE'S DAILY.

Luo, former vice-president of the All-China Women's Federation, described Chinese women as "a motive force for promoting the reforms and social progress, and invigorating the national economy."

She urged the authorities to build more kindergartens, nurseries and other social facilities to help free more women from household chores, and at the same time protect their legitimate rights and interests.

Luo pointed out that more than half the rural industrial workforce of 60 million was female, and women were also engaged in all other sectors of the rural economy.

In all, China had 42 million women working in state-run and collective businesses at the end of 1984, or 36.5 percent of the total, compared with 32.7 percent in 1978 before the reforms were implemented.

And there were 2,396,000 female scientists and technicians at the end of 1984--32.1 percent of the total and 724,000 more than in 1978.

Many women had assumed the posts of business executives across the country. The Shenzhen Special Economic Zone in Guangdong Province now had 128 managers and women factory directors.

Luo added that large numbers of urban and rural women were now studying general knowledge and science to improve their skills, and many were taking technical training courses.

Most cities had built children's recreational centers in recent years as part of the government's efforts to improve child-care facilities. According to statistics based in 14 provinces, there are 11,400 schools offering after-school programs for parents.

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CSO: 4020/247

LABOR AND WAGES

STATUS OF 2 MILLION FEMALE TECHNICIANS IMPROVES

OW061947 Beijing XINHUA in English 1921 GMT 6 Mar 86

[Text] Beijing, March 6 (XINHUA)--There are 2.39 million women scientists and technicians in China, accounting for one third of the country's total, the overseas edition of PEOPLE'S DAILY reported today.

"Women are playing an increasingly important role in enterprises, research institutions, schools and all trades," Zhang Guoying, vice-chairwoman of the All-China Women's Federation, told the newspaper.

According to PEOPLE'S DAILY, 14 Chinese women scientists have received PH.D. degrees since they were reintroduced in China in 1981. Four are doctors of science, five are engineers and another five are doctors of medicine.

More than 3,500 women technicians have received master's degrees since they were reintroduced in 1979. One out of 12 persons in China with a master's degree is a woman.

Among the two million professional women in Shanghai, China's largest industrial center, 200 have been named "outstanding women," an honor given by the municipal women's federation and the scientists and technicians association. Most of the honored women have been science workers.

"Many Chinese women are pursuing their own careers, successes and honors as their values have changed in the nationwide economic reform," Zhang said, adding that the number of these "new women" is growing.

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CSO: 4020/247

LABOR AND WAGES

HEILONGJIANG TRAINS RURAL WOMEN IN NEW SKILLS

OW110924 Beijing XINHUA in English 0740 GMT 11 Mar 86

[Text] Harbin, March 11 (XINHUA)--Three-fifths of the five million rural women in Heilongjiang Province are being trained in skills, an official of the provincial women's federation said here today.

Women in this China's coldest province, where the winter lasts for half a year, used to stay at home to look after children and do housework.

But about 70 percent of the rural women have been engaged in farming, livestock-breeding, knitting and sewing since 1979, when the nationwide rural economic reform took root in the province.

Most rural women earn as much as men and 30 percent of them earn much more than men, the official said.

Many women aged between 18 and 45 want to learn one or two skills to improve their work, the official explained.

Local women's federations and administrations have set up more than 1,000 special schools to provide free courses in general knowledge, farming, sewing, knitting and management for rural women since 1983, and scientists and technicians are invited to give lectures.

One million women have received two to three years of training in schools and two million have attended various training courses of between one and six months.

In addition, the official said, 300,000 women are following the courses provided by the central broadcasting agricultural school.

After learning to plait straw in a course, women in six townships of Suihua city plaited 40,000 straw curtains and bags in two months and earned more than 50,000 yuan.

Liang Fengying, a young girl of Changqing Township, Jiamusi City, began to raise chickens last year after attending a course on poultry raising and earned 90,000 yuan that year.

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CSO: 4020/247

LABOR AND WAGES

HENAN UNION FEDERATION MEETS ON WOMENS' STAFF WORKERS

HK070923 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 5 Mar 86

[Excerpt] From 1 to 3 March the provincial Trade Union Federation held a meeting to exchange experience in work concerning women staff and workers. At the meeting, 14 units exchanged their experiences in properly carrying out work concerning women staff and workers under the situation of reform, and 144 women CPC Committee secretaries, factory managers, engineers, technicians, teachers, doctors, accountant workers, policewomen, and trade union cadres who have made great contributions to building the two civilizations were commended. The meeting also arranged the work concerning women staff and workers in 1986. Zhao Di, deputy secretary of the provincial CPC Committee, met all the delegates and delivered a speech.

In her speech Comrade Zhao Di stressed that we must strengthen ideological and political work among women staff and workers; link conducting ideological and political education among women staff and workers with conducting education among women staff and workers with conducting education on [words indistinct]; link strengthening ideological and political work among women staff and workers with upgrading the quality of women staff and workers in an all-round way; link conducting communist moral integrity among women staff and workers with correctly handling the relationships between love, marriage, and family life; and improve the general social mood, so as to further bring into play the role of women staff and workers in building socialist spiritual civilization. She also demanded that party and government departments at all levels strengthen their leadership over and give support to work concerning women staff and workers so as to create necessary conditions for properly carrying out the work.

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CSO: 4006/805



LABOR AND WAGES

HOME HELPERS LIGHTEN HOUSEWORK FOR BUSY WOMEN

OW051151 Beijing XINHUA in English 1022 GMT 5 Mar 86

[Text] Beijing, March 5 (XINHUA)--Unemployed youngsters and pensioners in Wuxi, Jiangsu Province, are providing neighborhood services to help lighten the housework burden on busy women.

Shopping, milk deliveries and babysitting are all performed by the home helpers, who are organized by the city's women's federation.

And lunches are provided for children whose parents do not work near home.

Families wanting help need pay only a few yuan a month for the services, said an official of the All-China Women's Federation in Beijing.

Women in Wuxi have welcomed these cheap and convenient services, said the official, and now similar schemes are being organized in Liaoning Province, Shanghai and elsewhere in China.

She said women--as mothers, wives and workers--carried a heavier burden than men, and the whole of society had a responsibility to make it lighter.

China's recent economic reforms had offered women a greater challenge, but they must have enough time to improve their skills in order to meet the challenges.

The official said there were now 530,000 nurseries caring for 18 million babies--more than a quarter of the country's total. But more were needed to help working mothers look after their young children.

Over the past two years, household service companies had been established all over the country, including the border regions of Tibet and Xinjiang. Beijing alone had 37.

The wider use of household electrical appliances and processed food was also helping to reduce the burden of housework.

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CSO: 4020/247

LABOR AND WAGES

SHANGHAI WORKERS CONTRIBUTE TO INNOVATIONS

OW060802 Beijing XINHUA in English 0709 GMT 6 Mar 86

[Text] Shanghai, March 6 (XINHUA)--Suggestions made by workers in Shanghai have resulted in an estimated profit of over 500 million yuan last year, according to the municipal federation of trade unions.

The estimation was based on a recent survey among 3,931 factories where three million workers are employed.

Among the 320,000 suggestions raised by half a million workers last year, a federation official said, 126,000 suggestions for improving management and technology were accepted.

The suggestions covered such areas as developing new products, reducing material and energy consumption, digesting imported technology, environmental protection, and quality control.

"The enthusiasm in raising suggestions on the part of the workers is an indication of their sense of responsibility, which has been enhanced by the implementation of the economic responsibility system which links the enterprises' economic performance with income of their employees," the official said.

Workers who made the proposals will be rewarded based on the estimated economic and social benefits from their proposals, according to a regulation of the city's government.

The Shanghai Tianyuan chemical plant, which adjoins a residential district with 100,000 people, leaked chlorine every summer, thus being fined and criticized by the public.

Last year the workers of the plant made suggestions to improve the operating rules and measures in an emergency, and the leak was completely prevented.

A nationwide movement towards workers making suggestions and technical innovations is in full swing. According to statistics from 14 provinces and cities including Hebei, Hunan, Beijing and Shanghai, as reported by the WORKERS DAILY, 4.4 billion yuan of profits were gained from 1,350,000 suggestions and technical innovations last year.

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## LABOR AND WAGES

### BRIEFS

ZHEJIANG EMPLOYMENT SITUATION--During the Sixth 5-Year Plan, more than 561,000 job-seeking urban youths in Zhejiang Province were employed, thus lowering the urban unemployment rate from 3.6 percent in 1980 to 1.5 percent in 1985. In the same 5-year period, more than 81,000 urban youths underwent job training program before finding jobs. [Summary] [Hangzhou ZHEJIANG RIBAO in Chinese 13 Feb 86 p 1 OW] /8918

CSO: 4006/805

## TRANSPORTATION

### BRIEFS

NEW TIANJIN AIR ROUTES--The Tianjin Municipal Civil Aviation Bureau decided to open two new flight routes from Tianjin to Harbin and Shanghai beginning on 16 March. Flight service from Tianjin to Harbin will be on Wednesday and Sunday, and that from Tianjin to Shanghai Monday and Thursday. [Text] [Tianjin City Service in Mandarin 1430 GMT 25 Feb 86 SK] /8918

GOVERNOR SPEAKS ON HARBOR PROJECT--According to a report by ZHEJIANG RIBAO, the construction of Dapu Harbor for sea transportation and inland navigation will start soon. Governor Xue Ju announced at the provincial discussion meeting on transportation work that the building of Dapu Harbor will be one of the key projects in the Seventh 5-Year Plan. According to the plan, Dapu Harbor will be a port with comprehensive functions. Large, medium, and small size berths will be built there. The harbor will connect sea and inland navigation to serve foreign trade and the local economy. The first phase project will be built during the Seventh 5-Year Plan period, involving the construction of one 100,000-ton and one 1,000-ton birth each for sea transportation and 12 100-ton births along the beach for inland navigation at Dapu Township's (Qianfeigong and Paotai). The harbor will be able to handle up to 1.15 million metric tons of freight a year and the total investment is approximately 6.5 million yuan. The Jiaxing City Government has set up an office for construction of the harbor. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 6 Mar 86 OW] /8918

CSO: 4006/804

TAIWAN

# PREMIER URGES FOURTH NUCLEAR POWER PLANT

OWO71047 Taipei CNA in English 1028 GMT 7 Mar 86

[Text] Taipei, 7 March (CNA)--As this country lacks natural energy sources, it is necessary to build the fourth nuclear power plant for the long-term power consumption and diversification of energy imports, Premier Yu Kuo-hwa said Friday.

The Taiwan Power Company has forecast its generation capacity will not be enough to meet the increasing demand in 1990, and must develop new power resources, Yu said, answering an interpellation of Legislator Lin Ping-shun.

Considering the long-term energy policy and investment return, he said, the plant's construction is highly feasible.

Nuclear power generation is economical and clean and 31 countries have built nuclear-power plants since [the] first energy crisis, he said. Of their plants, 336 generators have been under commercial run, and another 184 units are under construction. Their full power capacity will reach more than 300 million kilowatts, he said.

Some countries with abundant natural energy sources have also built nuclear-plants, the premier said. As 80 percent of this country's energy has been imported, construction of another nuclear-plant is a must, he added.

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CSO: 4020/255

TAIWAN

GOVERNMENT TO CONSIDER FURTHER LOWERING OIL PRICES

OWO80357 Taipei CNA in English 0309 GMT 8 Mar 86

[Text] Taipei, 7 March (CNA)--Economics Minister Lee Ta-hai said Friday that the government will consider lowering domestic oil prices if international oil prices continue to fall.

Lee made the remark in response to interpellations by legislators Hung Yu-chin and Hsiao Jui-cheng at a meeting of the Legislative Yuan.

Both Hung and Hsiao suggested that the government adjust the domestic oil prices again to comply with the current oil prices on the international markets which were lowered by an average U.S. dollar 10 per barrel. They said the government's lowering of domestic oil prices on 19 February was based on an average drop of U.S. dollar 3.6 per barrel to consumers here. Such a small scale reduction at the gas pump, they claimed, can no longer reflect the present situation.

Lee replied that the government has to take into account many conditions before working out a proper price structure. He said that the government has no reason to maintain a high price policy which may damage the nation's export competitiveness.

In fact, domestic petroleum is already cheaper than in most nations in Asia following the February adjustment, he asserted.

Meanwhile, Vice Economics Minister Li Mo said the cost of production is not the only factor deciding the oil prices. The state-run Chinese Petroleum Corporation [CPC] has to consider its obligations to the government, which include an annual contribution to the national treasury estimated at NT [new Taiwan] dollar 10 billion (U.S. dollar 250 million), he said in explaining why CPC has to sell its oil at prices much higher than its production cost.

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CSO: 4020/255

TAIWAN

FISCAL 1987 BUDGET SENT TO LEGISLATIVE YUAN

OW151431 Taipei CNA in English 1416 GMT 15 Mar 86

[Text] Taipei, 5 March (CNA)--The central government has decided to spend 37 percent of its total budget or NT dollar 160.3 billion (about U.S. dollar 4 billion) on foreign and defense affairs in fiscal 1987. According to a budget proposal sent to the Legislative Yuan Saturday.

In fiscal 1986, the budget for foreign and defense affairs amounted to NT dollar 161.2 billion or 39 percent of the total budget.

The Executive Yuan balanced its total outlays and revenues in fiscal 1987 at NT dollar 433.2 billion, which is NT dollar 20.9 billion or 5-1 percent more than that in fiscal 1986.

The central government's expenditures on foreign and defense affairs will share the largest pie of the total budget, accounting for 37 percent, followed by 19.9 percent on economic development and communications, 16.6 percent on social welfare, 12.6 percent on education, science and cultural development, 5.6 percent on general administrative affairs, 4.1 percent on debt repayments, and 3 percent on subsidies to local governments.

Over half of the government's revenues, totaling NT dollar 246.3 billion, will come from taxes, customs and sales of government monopolized products, such as wine and tobacco. The figure is 5.5 percent less than that in fiscal 1986.

As compared to those in fiscal 1986, revenues from state run enterprises will increase by 14.6 percent to NT dollar 84.5 billion, the Executive Yuan said.

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CSO: 4020/255

TAIWAN

TAIPOWER TO SEARCH FOR URANIUM IN U.S.

OW170331 Taipei CNA in English 0313 GMT 17 Mar 86

[Text] Washington, 16 March (CNA)--The Taiwan Power Company and Rocky Mountain Energy (RME), a leading U.S. mining company, have recently concluded their negotiations of a U.S. \$15 million contract to cooperatively explore for uranium in seven U.S. states.

The contract, first time for both Taipower and RME to establish cooperative relationship with a foreign company to explore for uranium, is expected to be signed in the United States next month after the ROC Economics Ministry ratifies it.

According to Dorothy Reid, a spokesman for RME, Taipower will be responsible for one third of the cost of the 5-year project. And vice versa, Taipower will enjoy same percentage of ownership of all uranium explored under the project.

Taipower and RME agreed, Reid said, to explore into uranium in Arizona, New Mexico, Colorado, Texas, Nebraska, Wyoming, and Washington.

RME, a subsidiary of the Union Pacific Corp, a large U.S. enterprise whose business includes Union Pacific Railroad, is one of the top five U.S. mining companies, particularly known for its exploration and production of uranium.

In September 1984, the ROC entered into a contract with the United States to buy 2 billion dollars worth of uranium from the United States for its nuclear power plants in the next 30 years.

If Taipower, together with RME, can successfully find uranium, it can be provided with another reliable source of uranium.

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TAIWAN

EXPORTS, IMPORTS CONTINUE TO GROW

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[Text] Taipei, 7 March (CNA)--The Republic of China's two-way trade amounted to U.S. dollar 8.75 billion in the first 2 months of this year, representing a 10.7 percent growth over the same period in 1985, according to statistics released by the Directorate General of Budget, Accounting and Statistics [DGBAS] Friday.

The DGBAS noted that the aggregate exports were U.S. dollar 5.38 billion and imports stood at U.S. dollar 3.37 billion during the January-February period, registering 11.3 and 9.7 percent growths, respectively, over the corresponding period a year ago. The nation enjoyed a U.S. dollar 2.01 billion trade surplus.

The Executive Yuan agency analyzed that the exports of marine and other primary products totaled U.S. dollar 69 million and those of electronics, garments, shoes, metalwork, toys and other manufactured products amounted to U.S. dollar 4.63 billion, enjoying 18.5 and 10.1 percent increases respectively.

Of the imports, it noted that crude oil and other primary products accounted for U.S. dollar 810 million, decreasing by 2 percent, and electronics, chemicals, machinery equipment, steel and other manufactured products totaled U.S. dollar 2.07 billion, increasing by 15.9 percent.

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